



KWADUKUZA MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2011**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

A M MANZINI
ACTING MUNICIPAL MANAGER

Date

**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

INDEX	
DETAILS	Page Number
Report of the Auditor-General	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Accounting Policies	6
Notes to the Annual Financial Statements	25
Appendix A: Schedule of External Loans	64
Appendix B: Analysis of Property, Plant and Equipment	65
Appendix C: Segmental Analysis of Property, Plant and Equipment	66
Appendix D: Segmental Statement of Financial Performance	67
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	68
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	69
Appendix F: Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 Of 2003	70

KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

		Actual		Budget
	Note	2011 R	2010 R	2011 R
ASSETS				
Non-current assets		791 538 859	760 818 065	910 573 658
Property, plant and equipment	10	709 124 218	680 500 247	831 211 625
Intangible assets	11	1 153 815	1 447 357	891 572
Investment properties	12	56 100 000	54 980 000	54 980 000
Investments	13	24 178 213	22 521 455	22 521 455
Long-term receivables	14	982 613	1 369 006	969 006
Current assets		342 644 066	318 142 681	271 796 028
Inventories	15	3 199 702	3 301 059	3 301 059
Receivables from exchange transactions	16	36 124 617	28 442 124	78 644 957
Receivables from non-exchange transactions	17	22 259 975	36 927 540	22 123 218
Value added taxation receivable	9	2 109 822	1 864 550	-
Current portion of long-term receivables	14	1 117	1 109	1 109
Call investment deposits	18	222 483 929	199 549 638	167 549 638
Bank balances and cash	19	56 464 904	48 056 660	176 047
Total Assets		1 134 182 926	1 078 960 747	1 182 369 686
LIABILITIES				
Non-current liabilities		119 594 623	108 073 136	97 094 827
Long-term liabilities	2	46 174 534	50 131 377	33 963 149
Non-current provisions	3	22 525 658	19 253 243	19 407 733
Retirement benefits	4.2	42 765 503	32 266 348	37 456 348
Long service awards and retirement gifts	4.3	7 821 611	6 267 597	6 267 597
Non-current lease liability	40	307 317	154 571	-
Current liabilities		166 457 693	173 436 680	189 040 298
Deposits	5	19 654 339	17 393 544	16 841 000
Provisions	6	6 653 757	5 958 757	5 958 757
Creditors	7	102 139 493	88 112 689	105 697 384
Unspent conditional grants and receipts	8	27 822 513	17 352 565	16 156 520
Current portion of long-term liabilities	2	9 976 776	44 386 637	44 386 637
Current portion of lease liability	40	210 815	232 488	-
Total Liabilities		286 052 316	281 509 816	286 135 125
Net Assets		848 130 609	797 450 931	896 234 561
NET ASSETS				
Housing operating account	1	8 728 157	8 728 157	8 728 157
Accumulated surplus		839 402 453	788 722 774	887 506 404
Total Net Assets		848 130 609	797 450 931	896 234 561

**KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011**

REVENUE	Note	Actual		Budget
		2011 R	2010 R	2011 R
Revenue from non-exchange transactions				
Property rates	20	186 676 799	162 374 152	193 212 355
Property rates - penalties imposed and collection charges		3 516 455	7 250 955	7 269 700
Fines		3 468 087	2 875 848	3 216 289
Government grants and subsidies	22	79 280 103	77 638 037	169 727 576
Licences and permits		6 239 447	5 812 221	5 763 519
Public donations - Property, plant and equipment	10	-	27 960 408	-
Revenue from exchange transactions				
Service charges	21	368 277 657	293 421 624	372 250 015
Rental of facilities and equipment		1 096 878	1 104 910	1 444 645
Interest earned investments		16 271 896	14 766 608	10 012 039
Interest earned outstanding debtors		460 904	1 870 691	1 760 000
Other income	28	25 921 883	26 078 836	26 988 853
Gain on disposal of property, plant and equipment		165 042	-	117 411
Retirement and long services benefits	4	-	313 607	-
Revaluation of investment properties	12	1 120 000	-	-
Total Revenue		692 495 150	621 467 898	791 762 402
EXPENDITURE				
Employee related costs	23	150 031 758	131 331 548	167 017 436
Remuneration of councillors	24	10 531 046	9 853 291	11 352 494
Collection costs		3 392 034	2 961 894	2 300 535
Ammortisation	11	768 432	1 386 796	-
Depreciation	10	37 260 903	26 025 590	35 861 196
Repairs and maintenance		46 315 664	45 803 854	49 111 546
Finance costs	25	9 855 475	11 132 734	12 171 734
Bulk purchases	26	236 752 639	183 538 696	245 086 351
Contracted services		21 943 381	21 073 789	24 626 273
Retirement and long services benefits	4	12 053 169	281 610	3 540 000
General expenses	27	119 087 595	108 566 938	164 402 478
Adjustments to provisions		19 388 076	44 848 252	7 296 376
Adjustments to non-current provisions	3	3 967 415	3 242 337	1 650 000
Bad debts written off	16	2 149 055	1 247 632	-
Revaluation of investment properties	12	-	11 265 000	-
Loss on disposal of assets		1 819 613	1 704 141	-
Impairment loss on assets	10	8 711	4 290 130	-
Less: Recharges		(33 509 494)	(29 091 278)	(33 516 513)
Total Expenditure		641 815 472	579 462 953	690 899 906
SURPLUS FOR THE YEAR		50 679 679	42 004 946	100 862 496

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2011

	<u>Housing Operating Account</u> R	<u>Accumulated Surplus</u> R	<u>Total</u> R
2009			
Balance at 30 June 2009	8 728 157	618 074 118	626 802 275
Correction of error - Fixed Assets (Note 36)	-	2 538 123	2 538 123
Correction of error - Non-exchange receivables (Note 36)		(5 014 735)	(5 014 735)
Correction of error - Non-exchange receivables (Note 36)		(4 991 725)	(4 991 725)
Restated balance at 30 June 2009	8 728 157	610 605 779	619 333 936
Surplus for the year	-	136 112 049	136 112 049
Balance at 30 June 2009	8 728 157	746 717 828	755 445 986
2010			
Surplus for the year	-	42 004 946	42 004 946
Balance at 30 June 2010	8 728 157	788 722 774	797 450 931
2011			
Surplus for the year	-	50 679 679	50 679 679
Balance at 30 June 2011	8 728 157	839 402 453	848 130 610

KWADUKUZA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

		Actual		Budget
	Note	2011 R	2010 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from ratepayers, government and other		655 876 992	605 315 389	754 251 156
Cash paid to suppliers and employees		528 981 786	487 750 021	630 380 599
Cash generated from operations	30	126 895 208	117 565 358	123 870 557
Interest received		16 271 896	14 766 609	10 012 039
Finance costs	25	(9 855 475)	(11 132 734)	(12 171 734)
NET CASH FLOWS FROM OPERATING ACTIVITIES		133 311 629	121 199 233	121 710 862
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(64 754 217)	(62 097 435)	(185 270 246)
Purchase of intangible assets		(474 890)	(477 190)	-
Proceeds on disposal of property, plant and equipment and investment property		-	-	-
Decrease/(Increase) in non-current receivables		891 611	1 309 683	400 000
Decrease/(Increase) in non-current investments		(1 656 759)	17 643 169	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(65 994 255)	(43 621 773)	(184 870 246)
CASH FLOWS FROM FINANCING ACTIVITIES				
New loans raised		6 800 000	11 857 304	27 477 790
Loans repaid		(45 166 705)	(25 236 081)	(43 646 019)
Increase in leases		131 073	-	-
Increase in consumer deposits		2 260 795	2 552 410	(553 000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(35 974 837)	(10 826 367)	(16 721 229)
NET INCREASE IN CASH AND CASH EQUIVALENTS		31 342 537	66 751 094	(79 880 613)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		247 606 297	180 855 203	247 606 296
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	278 948 834	247 606 297	167 725 683

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in February 2010.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2010 and 30 June 2011 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Presentation above). In particular when services are rendered, and whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3, 4 & 5, the municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the

assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values as describe in Policy no 3.9.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in Policy 13.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee Benefits - issued December 2009
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments – October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 36 Impairment of assets - amended version effective 1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement - amended version effective 1 January 2010

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2011

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<u>Details</u>	<u>Years</u>
<i>Infrastructure</i>	
Roads	10 – 120
Electricity	5 – 100
Storm Water	10 – 50
Solid Waste Disposal	10 – 50
<i>Community</i>	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 5
Furniture and Fittings	2 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

3.9 Impairment of assets

3.9.1 Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3.9.2 Impairment of non-cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually. Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. The residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual value and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors (see note 17)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset

Classification in terms of IAS 39.09

Short-term Investment Deposits – Call	Held-to-maturity investments
Bank Balances and Cash	Available for sale investments
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments
Unlisted investments	Held-to-maturity investments

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors (see note 7)
- Bank Overdraft
- Short-term loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured as:

- Other financial liabilities.

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as "Other financial liabilities".

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.3.2 Financial Liabilities:

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the

asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

7. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

7.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

7.2 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

7.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

7.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipalities income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

8. INVENTORIES

Inventories comprising consumable stores, raw materials and finished goods are valued at lower of cost and net realizable value, determined on the weighted average cost.

When inventories are held for distribution at a nominal or no cost or for consumption such inventories are measured at the lower of cost and current replacement cost. Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. NON-CURRENT ASSETS HELD-FOR-SALE

9.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

10. REVENUE RECOGNITION

10.1 General

Revenue comprises the fair value of the consideration received or receivable for the sale services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its

estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

10.2 Revenue from Exchange Transactions

10.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

10.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

10.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.3 Revenue from Non-exchange Transactions

10.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is

recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

11. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

13. EMPLOYEE BENEFITS

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

13.3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13.3.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.3.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.3.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

14. LEASES

14.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a

straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

16. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

17. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense

in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

24. COMPARATIVE INFORMATION

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24.2 Current year comparatives

Budgeted amounts have, in accordance with GRAP 1, been provided to these Financial Statements and forms part of the Annual Financial Statements.

25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

26. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
1. HOUSING OPERATING ACCOUNT		
Housing Operating Account	8 728 157	8 728 157
The Housing Operating Account is represented by the following assets and liabilities:		
Fixed Assets	3 668 336	4 026 211
Housing Inventory	357 802	367 170
Debtors	39 925	1 590 651
Debtors: Department of Housing	1 167 731	2 066 644
Cash and cash equivalents	8 785 256	7 414 008
Agency account creditors	(5 279 084)	(6 726 120)
Prepaid debtors	(11 809)	(10 407)
Total Housing Operating Account Assets and Liabilities	8 728 157	8 728 157
2. LONG-TERM LIABILITIES		
Local Registered Stock Loans	-	17 006 000
Non Annuity Loans	49 905 738	70 666 809
Annuity Loans	6 245 572	6 845 206
Sub-total	56 151 310	94 518 015
Less: Current portion transferred to current liabilities	9 976 776	44 386 637
Local Registered Stock Loans	-	17 006 000
Non Annuity Loans	9 285 868	24 697 935
Annuity Loans	690 908	2 682 702
Total External Loans	46 174 534	50 131 377
Refer to Appendix A for more detail on long-term liabilities.		
Local registered stock		
Bear interest at rates between 16.9% and 17% per annum and have been repaid as at 30 June 2011		
Non Annuity Loans - Bank Loans		
Bear interest at 8.57% and is redeemed in bi-annual installments, including interest, over varying periods until 2025.		
Non Annuity Loans - Security Investments		
Bear interest at rates between 8.23% and 11.73% and are being redeemed in bi-annual and monthly instalments, including interest, over varying periods until 2020.		
Annuity loans		
Bear interest at rates between 12% and 16.5% per annum, are being redeemed in quarterly installments, including interest, over varying periods until 2017.		
3. NON-CURRENT PROVISIONS		
Provision for the eradication of alien vegetation	20 162 668	16 600 017
Provision for the rehabilitation of the landfill site	9 016 747	8 611 983
Sub-total	29 179 415	25 212 000
Less: Current portion transferred to current liabilities	6 653 757	5 958 757
Provision for the eradication of alien vegetation	4 126 680	3 545 121
Provision for the rehabilitation of the landfill site	2 527 077	2 413 636
Total Non-Current Provisions	22 525 658	19 253 243

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

**2011
R** **2010
R**

3 NON-CURRENT PROVISIONS (continued)

The movement in non-current provisions are reconciled as follows:

Eradication of alien vegetation

Balance at beginning of year	16 600 017	13 358 680
Contributions / (Reduction) to provision	3 562 651	3 241 337
Increase due to discounting	-	-
Expenditure incurred	-	-
Balance at end of year	20 162 668	16 600 017

The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to enforce private property owners to do the same.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2011/2012 operating budget over a period of ten (10) years.

The provision reflects a total of R3 562 651 expenditure discounted at a rate of 10% pa. (2010 - 10%)

Landfill site rehabilitation

Balance at beginning of year	8 611 983	8 610 983
Contributions to provision	404 765	-
Reduction due to remeasurement	-	-
Increase due to discounting	-	1 000
Expenditure incurred	-	-
Balance at end of year	9 016 748	8 611 983

The provision created for the rehabilitation of the landfill site is based on managements assessment of the rehabilitation costs of the Shakaville dumpsite.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2011/2012 operating budget over a period of two (2) years.

The provision reflects a total of R9 016 748 expenditure discounted at a rate of 10% pa (2010:- 10%)

4. RETIREMENT BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2011 interim valuations have not yet been released.

Superannuation

The latest statutory valuation of the Superannuation Fund (defined benefit) as at 31 March 2008 concluded that:

The Fund was fully funded and financially sound on the discounted cash flow method. The required contribution rate for the future service exceeded the contribution rate payable by 1,27% of pensionable salaries.

4. RETIREMENT BENEFITS (continued)

The interim valuation carried out on the Superannuation Fund as at 31 March 2009 reflected:

2011 R	2010 R
-----------	-----------

The memorandum account in respect of pensioners was fully funded. There was a small deficit in respect of active members which is being met by the surcharge of 7% of pensionable salaries. The required contribution rate for the future service exceeded the contribution rate payable by 1,50% of pensionable salaries.

The interim valuation carried out on the Superannuation Fund as at 31 March 2010 reflected:
The memorandum account in respect of pensioners was fully funded. There was a deficit in respect of active members which is being met by the surcharge of 7% of pensionable salaries, the deficit is expected to be fully funded by 2016. The required contribution rate for the future service exceeded the contribution rate payable by 1,69% of pensionable salaries.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2009 reflected:
The memorandum account in respect of pensioners was fully funded. Based on the valuation assumptions applied in 2000, the Fund was fully funded, however based on revised assumptions the Funds liabilities for the contributory members exceeded the value of the assets and an extension of the surcharge for another 5 years would be necessary to return the funding level to 100%.

The interim valuation carried out on the Retirement Fund as at 31 March 2010 reflected:
The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

4.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.76%	9.22%
Health care cost inflation rate	7.29%	7.27%
Net effective discount rate	1.37%	1.82%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90	SA 85-90 ultimate
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Females	Males	Females	Males
Age 20	24%	16%	24%	16%
Age 30	15%	10%	15%	10%
Age 40	6%	6%	6%	6%
Age 50	2%	2%	2%	2%
Age 55+	0%	0%	0%	0%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

42 765 503	32 266 348
-------------------	-------------------

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	32 266 348	32 579 955
Current service cost	1 482 015	1 617 979
Interest cost	2 932 602	2 906 965
Benefit payments	(933 972)	(854 302)
Actuarial (gains)/losses	7 018 510	(3 984 249)
Balance at end of year	42 765 503	32 266 348

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	1 482 015	1 617 979
Interest cost	2 932 602	2 906 965
Benefit payments	(933 972)	(854 302)
Actuarial (gains)/losses	7 018 510	(3 984 249)
	10 499 155	(313 607)

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
4. RETIREMENT BENEFITS (Continued)		
4.3 Long service awards and retirement gifts		
The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	7.76%	9.10%
General Salary Inflation (long term)	6.26%	6.43%
Retirement Gift Inflation (long term)	7.26%	7.43%
Net effective discount rate	1.41%	2.51%
Examples of mortality rates used were as follows:		
Average retirement age	63 years	63 years
Mortality during employment	SA85-90 Ultimate	SA85-90 Ultimate
<i>Members withdrawn from service:</i>	Females Males	Females Males
Age 20	24% 16%	24% 16%
Age 30	15% 10%	15% 10%
Age 40	6% 6%	6% 6%
Age 50	2% 2%	2% 2%
Age 55	0% 0%	0% 0%
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	7 821 611	6 267 597
Fair value of plan assets		-
Liability in the Statement of Financial Position	7 821 611	6 267 597
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	6 267 597	5 985 987
Current service cost	760 362	665 061
Interest cost	468 928	527 387
Actuarial (Gain)/losses	1 035 835	(405 219)
Benefit payments	(711 111)	(505 619)
Balance at end of year	7 821 611	6 267 597
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	760 362	665 061
Interest cost	468 928	527 387
Actuarial (Gain)/losses	1 035 835	(405 219)
Benefit payments	(711 111)	(505 619)
	1 554 014	281 610
In conclusion:		
Statement of Financial Position obligation for:		
Post-employment medical benefits	42 765 503	32 266 348
Long Service Award	7 821 611	6 267 597
	50 587 114	38 533 945
Statement of Financial Performance obligation for:		
Post-employment medical benefits	10 499 155	-
Long Service Award loss	1 554 014	281 610
	12 053 169	281 610
Long service award gain		
	-	-
Post-employment medical benefits gain		
	-	313 607
	-	313 607

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
5. DEPOSITS		
Electricity	19 654 339	17 393 544
Guarantees held in lieu of electricity deposits	2 395 446	2 178 020
6. PROVISIONS		
Eradication of alien vegetation - current portion	4 126 680	3 545 121
Rehabilitation of the landfill site - current portion	2 527 077	2 413 636
	6 653 757	5 958 757
7. CREDITORS		
Trade creditors	45 404 865	32 297 115
Payments received in advance	12 956 490	10 638 320
Deposits - other	591 809	25 591 964
Staff leave	7 290 743	5 775 543
Other creditors	35 895 586	13 809 746
Total Creditors	102 139 493	88 112 689
Payments in advance includes prepaid electricity accruals.		
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Municipal Infrastructure Grant	13 423 985	2 690 260
Financial Management Grant	432 088	682 612
Land Use Management Systems	107 000	152 000
Municipal Systems Improvement Grant	989 818	795 803
New Library	27 790	29 780
Property Rates Implementation	31 985	110 695
Development Bank of South Africa	262 774	262 774
CDB Revitalization	4 590 120	5 004 233
King Shaka	-	1 007 174
Municipal Assistance Programme	2 205 358	2 205 358
Ramasar Relief Fund	-	30 943
Health: SAPPI	24 150	24 150
iLembe: Shared Services	887 193	643 500
Museum Grant / Subsidy	-	68 000
Department of Minerals & Energy	-	3 645 283
Neighbourhood Development Partnership	4 785 252	-
Training - Belgium	55 000	-
Total Conditional Grants and Receipts	27 822 513	17 352 565
See note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
9. VALUE ADDED TAXATION RECEIVABLE	2 109 822	1 864 550
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS		

10. PROPERTY, PLANT & EQUIPMENT
30 June 2011

Reconciliation of Carrying Value	Buildings R	Heritage Assets R	Solid Waste R	Vehicles R	Infrastructure Roads R	Infrastructure Stormwater R	Infrastructure Electrical R	Furniture and Fittings R	Other Assets	Developed Land	Undeveloped Land	Housing R	Leased assets R	Under Construction R	Total R
Carrying Values at 30 June 2010	61 793 503	18 346	1 403 375	24 712 567	115 089 054	91 158 780	235 048 787	13 022 931	4 127 514	31 534 329	73 829 700	4 026 211	348 677	24 386 478	680 500 251
Cost	71 134 658	18 346	1 554 078	39 054 144	209 913 690	114 281 279	351 951 169	22 431 745	4 673 079	31 534 329	73 829 700	8 052 000	826 365	24 386 478	953 641 060
Accumulated depreciation	-9 341 155	-	-150 703	-14 341 577	-94 824 636	-23 122 499	-116 902 382	-9 408 814	-545 565	-0	-	-4 025 789	-477 688	-	-273 140 809
Acquisitions	12 521 315		983 523	648 250	6 696 328	213 334	16 303 217	3 410 209	892 625	65 513			403 534	22 616 369	64 754 217
Capital under construction brought into use	5 830 844			3 369 224	10 420 519										19 620 587
Capital under construction Assets received through Change in Municpal Demarcation - Ndwedwe	1 076 097				2 356 809										3 432 906
Assets Previously not recognised								281 295					-281 295	-19 620 588	-19 620 588
Assets Transferred								432 162					-432 162	-19 620 588	-19 620 588
Cost								-150 867					150 867		-
Acc dep															-
Assets written off	-102 643				-107 344		-1 265 997	-1 393							-1 477 377
Cost	-103 952				-122 850		-1 833 273	-3 750							-2 063 825
Accumulated Depreciation	1 310	-	-	-	15 506		567 276	2 357		-	-				586 448
Impairment					-			-8 711	-						-8 711
Depreciation	-5 297 029		-101 207	-4 897 018	-3 598 757	-3 261 473	-14 476 851	-4 773 603	-438 967	-		-357 876	-58 127		-37 260 908
Carrying Value of disposals								-66 870		-23 923	-500 000		-234 078		-824 871
Cost								-398 354		-23 923	-500 000		-410 265		-1 332 541
Accumulated depreciation								340 195					176 187		516 382
Carrying Values at 30 June 2011	75 822 087	18 346	2 285 691	23 833 023	130 856 609	88 110 641	235 609 156	11 872 568	4 581 172	31 575 919	73 329 700	3 668 335	178 711	27 382 259	709 124 218
Cost	90 458 962	18 346	2 537 601	43 071 618	229 264 495	114 494 613	366 421 114	25 872 012	5 565 704	31 575 919	73 329 700	8 052 000	387 472	27 382 259	1 018 431 815
Accumulated depreciation	-14 636 875	-	-251 909	-19 238 595	-98 407 887	-26 383 972	-130 811 957	-13 999 444	-984 532	(0)	-	-4 383 665	-208 761	-	-309 307 598

The leased property, plant and equipment is secured as set out in Note 40.
Assets were received amounting to R3 432 906 due to a change in Municipal Demarcation - these roads and buildings are from the Ndwedwe area and were received during the current year.
Furniture and Fittings include non-current assets, retired from active use and held for re-sale with a book value of R25 396 (cost of R47 604 and accumulated depreciation of R22 208).
Dismantling costs were incurred by the Municipality during the year. The dismantling of electricity infrastructure assets were in respect of the Greenfields project and amounted to R331 861.
The Municipality reviewed the useful lives of items of property, plant and equipment. Adjustments to these usefull lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation increased by a net R9 883 111 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows:

Vehicles	-232 857.21	Decrease in depreciation
Roads	-640 694.33	Decrease in depreciation
Community Assets	2 359 162.46	Increase in depreciation
Electricity Infrastructure	6 878 022.38	Increase in depreciation
Furniture and Fittings	437 072.99	Increase in depreciation
Housing Assets	89 655.34	Increase in depreciation
Other Assets	-10 509.61	Decrease in depreciation
Storm Water Infrastructure	1 003 259.22	Increase in depreciation
	9 883 111.24	Net Increase in depreciation

Furniture and Fittings, fully depreciated, but still in use at year end amounts to a cost of R513 195 and accumulated depreciation of R513 195.
Roads Infrastructure, fully depreciated, but stil in use at year end amounts to a cost of R122 850 and accumulated depreciation of R122 850.

30 June 2010

RESTATED

Reconciliation of Carrying Value	Buildings	Heritage Assets	Solid Waste	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Other Assets	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R	R				R	R	R	R
Carrying Values at 30 June 2009	50 385 699	18 346	1 158 188	25 231 451	102 308 804	90 512 711	225 247 996	12 877 601	3 141 254	31 079 928	73 829 700	4 294 431	392 146	1 714 674	622 192 928
Cost	56 692 602	18 346	1 175 163	35 200 779	190 513 573	111 377 352	333 499 574	18 894 313	3 496 121	31 079 928	73 829 700	8 052 000	905 884	1 714 674	866 450 009
Accumulated depreciation	-6 306 902	-	-16 975	-9 969 328	-88 204 769	-20 864 641	-108 251 578	-6 016 712	-354 868	-0	-	-3 757 569	-513 738	-	-244 257 080
Acquisitions	14 442 056		378 915	3 959 226	8 805 449		6 368 929	3 193 995	1 176 958	454 401			199 318	24 566 478	63 545 725
Capital under construction brought into use					1 602 709									-1 602 709	-
Capital under construction Assets Donated					10 594 668	2 903 927	14 461 813							-	27 960 408
Assets Previously not recognised								601 305						-	601 305
Assets Transferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost														-	-
Acc dep														-	-
Correction of error: Assets written off				-	-1 448 290	-	-	-	-	-	-	-	-	-	-1 448 290
Cost					-1 602 709									-	-1 602 709
Accumulated Depreciation					154 419									-	154 419
Impairment				-401 803	-1 867 827		-2 020 500							-	-4 290 130
Depreciation	-3 034 253		-133 728	-4 019 624	-4 906 460	-2 257 858	-7 462 889	-3 509 073	-190 698	0		-268 220	-242 787		-26 025 589
Carrying Value of disposals	-	-	-	-56 682	-	-	-1 546 562	-140 897	-	-	-	-	-	-291 965	-2 036 106
Cost				-105 861			-2 379 147	-257 868					-278 837	-291 965	-3 313 677
Accumulated depreciation				49 179			832 585	116 971					278 837	-	1 277 571
Carrying Values at 30 June 2010	61 793 503	18 346	1 403 375	24 712 567	115 089 054	91 158 780	235 048 787	13 022 931	4 127 514	31 534 329	73 829 700	4 026 211	348 677	24 386 478	680 500 251
Cost	71 134 658	18 346	1 554 078	39 054 144	209 913 690	114 281 279	351 951 169	22 431 745	4 673 079	31 534 329	73 829 700	8 052 000	826 365	24 386 478	953 641 060
Accumulated depreciation	-9 341 155	-	-150 703	-14 341 577	-94 824 636	-23 122 499	-116 902 382	-9 408 814	-545 565	-0	-	-4 025 789	-477 688	-	-273 140 810

* Other assets include net current assets held for re-sale with a book value of R240 772 (cost of R1 057 090 and accumulated depreciation of R816 368).

11. INTANGIBLE ASSETS

30 June 2011

	Software	Total
Carrying values as at 1 July 2010	1 447 357	1 447 357
Cost	3 704 403	3 704 403
Accumulated Amortisation	(2 257 046)	(2 257 046)
Write-off of intangible assets		
Cost	-	-
Accumulated Amortisation	-	-
Additions	474 890	474 890
Amortisation	(768 432)	(768 432)
Carrying value closing balance as at 30 June 2011	1 153 815	1 153 815
Cost	4 179 293	4 179 293
Accumulated Amortisation	(3 025 478)	(3 025 478)

30 June 2010 - Restated

	Software	Total
Carrying values as at 1 July 2009	1 218 442	1 218 442
Cost	3 227 213	3 227 213
Accumulated Amortisation	(870 250)	(870 250)
Write-off of intangible assets		
Cost	-	-
Accumulated Amortisation	-	-
Additions	477 190	477 190
Amortisation	(1 386 796)	(1386 796)
Carrying value closing balance as at 30 June 2010	1 447 357	1 447 357
Cost	3 704 403	3 704 403
Accumulated Amortisation	(2 257 046)	(2 257 046)

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
12. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	54 980 000	66 245 000
Loss on valuation	-	(17 260 000)
Gain on valuation	1 120 000	5 995 000
Sale of properties	-	-
Carrying Values Closing Balance	56 100 000	54 980 000
The fair value of these properties as valued by Council's valuer at 30 June 2011 amounts to	56 100 000	54 980 000
Rental income derived from these properties amount to	496 310	477 846
No amounts were expensed towards repairs and maintenance costs for income generating investment properties.		
Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13. INVESTMENTS		
<u>Unlisted</u>		
Zero coupon deposits	-	-
Total Unlisted	-	-
<u>Financial Instruments</u>		
Collateral Security fixed deposits	257 415	241 832
Fixed deposit	23 920 799	22 279 623
Total Cash Investments	24 178 213	22 521 455
Total Investments	24 178 213	22 521 455
Council's valuation of unlisted investments	24 178 213	22 521 455
Average rate of return on investments	5%	6%
The zero coupons have guaranteed maturity values and therefore no provision for impairments are required.		
Investments pledged as security for loans advanced amount to	-	-
Investments pledged for reimbursement of electricity contributions amount to	23 920 799	22 279 623
Investments pledged as collateral security for loans advanced to staff amount to	257 415	241 832
Collateral security fixed deposits were expected to be realised within the next twelve months in the prior year.		
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13. INVESTMENTS (continued)	-	
Investments Bank Account		
<i>Investec Bank Account - Stanger Branch</i>		
<i>Account Number TR 1846: Zero Coupon</i>		
Bank statement balance at the beginning of the year	13 964 872	12 106 773
Bank statement balance at the end of the year	-	13 964 872
Zero coupon deposits were previously disclosed under non-current investments, however they have been realised during the year.		
	-	13 964 872
Current Portion transferred to Call Investment Deposits (Note 18)	-	(13 964 872)
TOTAL COLLATERAL ZERO COUPON DEPOSITS:	-	-
Investments Bank Account		
<i>Nedbank Account - Stanger Branch</i>		
<i>Account Number 4627072052: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	70 470	65 588
Bank statement balance at the end of the year	75 162	70 470
These amounts were previously disclosed under current investments, however they will not be realised within the next twelve months.		
Investments Bank Account		
<i>Nedbank Account - Stanger Branch</i>		
<i>Account Number 4627072654: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	122 708	114 769
Bank statement balance at the end of the year	130 492	122 708
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 71039219855: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	48 654	45 322
Bank statement balance at the end of the year	51 760	48 654
TOTAL COLLATERAL SECURITY FIXED DEPOSITS:	257 415	241 832

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
13. INVESTMENTS (continued)		
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 71186421337: Fixed Deposit</i>		
Bank statement balance at the beginning of the year	12 267 541	11 385 421
Bank statement balance at the end of the year	<u>13 145 653</u>	<u>12 267 541</u>
Investments Bank Account		
<i>Nedbank Account - Stanger Branch</i>		
<i>Account Number 9998 31337173: Fixed Deposit</i>		
Bank statement balance at the beginning of the year	10 012 082	-
Bank statement balance at the end of the year	<u>10 775 146</u>	<u>10 012 082</u>
TOTAL FIXED DEPOSITS:	<u>23 920 799</u>	<u>22 279 623</u>
TOTAL NON CURRENT INVESTMENTS:	<u>24 178 213</u>	<u>22 521 455</u>
14. LONG-TERM RECEIVABLES		
Housing selling scheme loans	11 752 688	12 639 537
Electricity connection loans	1 282	6 044
	<u>11 753 970</u>	<u>12 645 581</u>
Less provision for bad debts	(10 770 240)	(11 275 466)
Provision for future housing discounts	<u>(10 770 240)</u>	<u>(11 275 466)</u>
	<u>983 729</u>	<u>1 370 115</u>
Less: Current portion transferred to current receivables	(1 117)	(1 109)
Electricity connection loans	<u>(1 117)</u>	<u>(1 109)</u>
Total Receivables	<u>982 613</u>	<u>1 369 006</u>

ELECTRICAL CONNECTION LOANS

To encourage property owners to connect to the reticulation system, low interest rate loans were made to provide the necessary financial assistance. These loans attracted interest linked to prime up to a maximum of three years. These types of loans are no longer provided.

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
15. INVENTORIES		
Consumable stores	63 756	35 590
Mechanical spares	10 622	28 577
Electrical maintenance spares	2 632 689	2 776 019
Fuel	134 834	93 703
Housing inventory	357 802	367 170
Total Inventories	3 199 702	3 301 059
Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.		
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	43 489 094	32 725 547
Estate	100 954	105 391
Refuse	7 149 737	7 304 872
Value added taxation	8 386 207	6 279 805
Legal Fees	1 126 415	777 619
Encroachment and plot clearing	72 539	18 692
Sundry Adjustments	446 464	668 850
Interest	1 946 601	2 095 820
Add back credits included above	288 698	764 089
Total service debtors	63 006 709	50 740 685
Less provision for bad debts	(26 882 092)	(22 298 561)
Total	36 124 617	28 442 124
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	27 063 979	24 385 297
31 - 60 Days	7 175 275	1 115 945
61 - 90 Days	1 716 082	1 799 035
91 - 120 Days	1 618 469	444 079
Greater than 120 days	5 915 290	4 981 191
Total	43 489 094	32 725 547
<u>Estate: Ageing</u>		
Current (0 – 30 days)	-	3 365
31 - 60 Days	2 441	3 124
61 - 90 Days	2 183	2 896
91 - 120 Days	2 183	2 896
Greater than 120 days	94 147	93 108
Total	100 954	105 391
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	138 347	1 036 204
31 - 60 Days	869 291	450 317
61 - 90 Days	433 553	382 966
91 - 120 Days	321 146	338 352
Greater than 120 days	5 387 401	5 097 034
Total	7 149 737	7 304 872

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Value Added Taxation: Ageing</u>		
Current (0 – 30 days)	4 385 946	3 801 484
31 - 60 Days	1 160 052	220 203
61 - 90 Days	322 731	308 187
91 - 120 Days	289 885	102 028
Greater than 120 days	2 227 592	1 847 903
Total	8 386 207	6 279 805
<u>Legal Fees: Ageing</u>		
Current (0 – 30 days)	66 898	120 953
31 - 60 Days	86 053	11 126
61 - 90 Days	76 810	21 694
91 - 120 Days	100	12 923
Greater than 120 days	896 554	610 923
Total	1 126 415	777 619
<u>Encroachment and plot clearing: Ageing</u>		
Current (0 – 30 days)	37 585	
31 - 60 Days	-	-
61 - 90 Days	-	3 295
91 - 120 Days	5 490	6 349
Greater than 120 days	29 464	9 048
Total	72 539	18 692
<u>Sundry Adjustments: Ageing</u>		
Current (0 – 30 days)	127 797	(10 948)
31 - 60 Days	4 567	(1 650)
61 - 90 Days	130	(78)
91 - 120 Days	343	(9 646)
Greater than 120 days	313 626	691 172
Total	446 464	668 850
<u>Interest: Ageing</u>		
Current (0 – 30 days)	5 937	74 740
31 - 60 Days	168 661	123 888
61 - 90 Days	138 010	79 714
91 - 120 Days	124 904	87 210
Greater than 120 days	1 509 089	1 730 268
Total	1 946 601	2 095 820
<u>Add back credits included above: Ageing</u>		
Current (0 – 30 days)	4 615 368	340 281
31 - 60 Days	(1 002 302)	62 828
61 - 90 Days	(639 760)	46 557
91 - 120 Days	(512 843)	40 057
Greater than 120 days	(2 171 765)	274 366
Total	288 698	764 089

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Reconciliation of the Bad Debt Provision</u>		
Balance at beginning of the year	83 093 232	35 995 967
Receivables from exchange transactions	22 298 561	15 876 042
Long term receivables	11 275 466	12 190 804
Receivables from non-exchange transactions	49 519 205	7 929 121
(Release from) / Contribution to provision	20 010 369	47 097 265
Receivables from exchange transactions	5 766 859	3 071 857
Long term receivables	(505 226)	(915 338)
Receivables from non-exchange transactions	16 016 244	41 549 210
Vat on trade receivables from exchange transactions	21 277 877	43 705 729
Vat on trade receivables from non-exchange transactions	(1 183 328)	2 208 139
	(84 180)	40 875
Receivables from exchange transactions	26 882 092	22 298 561
Long term receivables	10 770 240	11 275 466
Receivables from non-exchange transactions	65 451 269	49 519 205
Balance at end of year	103 103 601	83 093 232
Bad debts written off	2 149 055	1 247 632
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	75 402 622	72 470 197
Other debtors	4 902 845	5 675 435
Provincial Health Subsidy (see note 22)	1 971 307	1 699 376
Disaster Rough Seas (see note 22)	2 985 230	2 179 823
Department of Housing - RDP projects (see note 22)	39 925	2 066 644
Operating leases	2 034 036	1 905 431
Ilembe debtors	375 280	449 838
	87 711 244	86 446 745
less provision for bad debts	(65 451 269)	(49 519 205)
Total Other Debtors	22 259 975	36 927 540
<u>Rates: Ageing</u>		
Current (0 – 30 days)	938 437	7 726 960
31 - 60 Days	7 714 040	5 503 138
61 - 90 Days	4 227 090	3 272 328
91 - 120 Days	4 178 634	3 038 321
Greater than 120 days	58 344 421	52 929 450
Total	75 402 622	72 470 197

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
18. CALL INVESTMENT DEPOSITS		
30 day deposits	222 483 929	166 997 695
Current portion of non current investment	-	13 964 872
Zero Coupon Deposits	-	18 587 071
	222 483 929	199 549 638
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62099517743: Money Market Account</i>		
Bank statement balance at the beginning of the year	37 979 768	16 469 109
Bank statement balance at the end of the year	48 461 658	37 979 768
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74099518647: Call Account</i>		
Bank statement balance at the beginning of the year	14 782 932	13 816 513
Bank statement balance at the end of the year	-	14 782 932
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71470297491: Call Account</i>		
Bank statement balance at the beginning of the year	24 942 159	23 302 784
Bank statement balance at the end of the year	-	24 942 159
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 8756442-001: Call Account</i>		
Bank statement balance at the beginning of the year	15 731 643	11 580 587
Bank statement balance at the end of the year	16 704 260	15 731 643
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2067768132: Call Account</i>		
Bank statement balance at the beginning of the year	12 340 756	11 542 870
Bank statement balance at the end of the year	-	12 340 756
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-10: Call Account</i>		
Bank statement balance at the beginning of the year	11 767 217	10 985 621
Bank statement balance at the end of the year	12 452 492	11 767 217
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442-002: Call Account</i>		
Bank statement balance at the beginning of the year	8 058 297	10 648 997
Bank statement balance at the end of the year	8 557 116	8 058 297

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
18. CALL INVESTMENT DEPOSITS (continued)		
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-11: Call Account</i>		
Bank statement balance at the beginning of the year	5 556 502	5 194 370
Bank statement balance at the end of the year	<u>5 862 027</u>	<u>5 556 502</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2068872069: Call Account</i>		
Bank statement balance at the beginning of the year	5 550 400	5 194 804
Bank statement balance at the end of the year	<u>5 872 773</u>	<u>5 550 400</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2068912186: Call Account</i>		
Bank statement balance at the beginning of the year	5 531 360	5 178 010
Bank statement balance at the end of the year	<u>5 852 627</u>	<u>5 531 360</u>
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-12: Call Account</i>		
Bank statement balance at the beginning of the year	5 541 112	5 179 288
Bank statement balance at the end of the year	<u>5 880 076</u>	<u>5 541 112</u>
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 998 29852604: Call Account</i>		
Bank statement balance at the beginning of the year	5 185 081	-
Bank statement balance at the end of the year	<u>5 455 508</u>	<u>5 185 081</u>
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 004</i>		
Bank statement balance at the beginning of the year	10 021 764	-
Bank statement balance at the end of the year	<u>-</u>	<u>10 021 764</u>
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 005</i>		
Bank statement balance at the beginning of the year	4 008 706	-
Bank statement balance at the end of the year	<u>-</u>	<u>4 008 706</u>
Investments Bank Account <i>ABSA Bank Account - Durban Branch</i> <i>Account Number 2070596495</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>10 508 677</u>	<u>-</u>
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 313 371 739 991</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>10 492 078</u>	<u>-</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2070924953</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>10 315 822</u>	<u>-</u>

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 008</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>5 161 072</u>	<u>-</u>
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 009</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>5 161 072</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308672</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>519 948</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306147</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>259 948</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74288827700</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>26 413 046</u>	<u>-</u>
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 875 6444 2 -007</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>14 876 108</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74303898157</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>15 644 044</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289159660</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>2 559 031</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289162259</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>3 889 765</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308135</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>214 948</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289163215</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>562 937</u>	<u>-</u>

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288305230</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>619 948</u>	<u>-</u>
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306618</i>		
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>186 948</u>	<u>-</u>
TOTAL 30 DAY DEPOSITS:	<u><u>222 483 929</u></u>	<u><u>166 997 695</u></u>
Investments Bank Account <i>Nedbank Bank Account (FBC Fidelity Bank) - Stanger Branch</i> <i>Account Number 7492501269: Zero Coupon</i>		
Bank statement balance at the beginning of the year	-	21 323 849
Bank statement balance at the end of the year	<u>-</u>	<u>-</u>
Investments Bank Account <i>Investec Bank</i> <i>Account Number TR 1846: Zero Coupon</i>		
Bank statement balance at the beginning of the year	13 964 872	12 106 773
Bank statement balance at the end of the year	<u>-</u>	<u>13 964 872</u>
Zero coupon deposits were previously disclosed under non-current investments, however the current portion will be reflected under current investments.		
TOTAL CURRENT PORTION OF NON CURRENT INVESTMENTS:	<u><u>-</u></u>	<u><u>13 964 872</u></u>
Investments Bank Account <i>INCA Bank Account - Stanger Branch</i> <i>Account Number STAN 00-0001: Zero Coupon</i>		
Bank statement balance at the beginning of the year	1 764 538	1 552 141
Bank statement balance at the end of the year	<u>-</u>	<u>1 764 538</u>
Investments Bank Account <i>INCA Bank Account - Stanger Branch</i> <i>Account Number Kwad 00-0001: Zero Coupon</i>		
Bank statement balance at the beginning of the year	16 822 532	14 894 610
Bank statement balance at the end of the year	<u>-</u>	<u>16 822 532</u>
TOTAL ZERO COUPON DEPOSITS	<u><u>-</u></u>	<u><u>18 587 071</u></u>
Investments pledged as security for loans advanced amount to:	<u><u>-</u></u>	<u><u>18 587 071</u></u>
TOTAL CURRENT INVESTMENTS	<u><u>222 483 929</u></u>	<u><u>199 549 638</u></u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

**2011
R**

**2010
R**

19. BANK BALANCES AND CASH

The Municipality has the following main bank accounts:

ACCOUNT DESCRIPTION

Primary Bank Account

*First National Bank Account - Stanger Branch
Account Number 53730256310: Cheque Account
First National Bank Account - Ballito Branch
Account Number 53730076916: Cheque Account*

Cash book balance at the beginning of the year	16 190 774	23 051 095
Cash book balance at the end of the year	19 121 494	16 190 774

Bank statement balance at the beginning of the year	16 182 819	23 008 863
Bank statement balance at the end of the year	19 121 494	16 182 819

Housing Bank Account

*First National Bank Account - Stanger Branch
Account Number 62020550077: Cheque Account*

Cash book balance at the beginning of the year	3 454 593	64 655
Cash book balance at the end of the year	1 860 679	3 454 593

Bank statement balance at the beginning of the year	3 454 593	64 655
Bank statement balance at the end of the year	1 860 679	3 454 593

Housing Bank Account

*First National Bank Account - Stanger Branch
Account Number 62015681225: Cheque Account*

Cash book balance at the beginning of the year	5 060 332	2 359 115
Cash book balance at the end of the year	1 117 276	5 060 332

Bank statement balance at the beginning of the year	5 060 332	2 359 115
Bank statement balance at the end of the year	1 174 276	5 060 332

Housing Bank Account

*First National Bank Account - Stanger Branch
Account Number 62031878624: Cheque Account*

Cash book balance at the beginning of the year	643 665	1 477 570
Cash book balance at the end of the year	64 612	643 665

Bank statement balance at the beginning of the year	643 665	1 477 570
Bank statement balance at the end of the year	64 612	643 665

Housing Bank Account

*First National Bank Account - Stanger Branch
Account Number 62031876800: Cheque Account*

Cash book balance at the beginning of the year	215 361	228 583
Cash book balance at the end of the year	5 323	215 361

Bank statement balance at the beginning of the year	215 361	228 583
Bank statement balance at the end of the year	5 323	215 361

Housing Bank Account

*First National Bank Account - Stanger Branch
Account Number 62059290454: Cheque Account*

Cash book balance at the beginning of the year	619 800	625 049
Cash book balance at the end of the year	15 637	619 800

Bank statement balance at the beginning of the year	619 800	625 049
Bank statement balance at the end of the year	15 637	619 800

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
19. BANK BALANCES AND CASH (Continued)		
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290561: Cheque Account</i>		
Cash book balance at the beginning of the year	186 963	2 142 268
Cash book balance at the end of the year	<u>4 236</u>	<u>186 963</u>
Bank statement balance at the beginning of the year	186 963	2 142 268
Bank statement balance at the end of the year	<u>4 236</u>	<u>186 963</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382132: Cheque Account</i>		
Cash book balance at the beginning of the year	-	62 031
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	62 031
Bank statement balance at the end of the year	-	-
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382322: Cheque Account</i>		
Cash book balance at the beginning of the year	-	318 891
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	318 891
Bank statement balance at the end of the year	-	-
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382570: Cheque Account</i>		
Cash book balance at the beginning of the year	-	4 610
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	4 610
Bank statement balance at the end of the year	-	-
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382786: Cheque Account</i>		
Cash book balance at the beginning of the year	-	246 756
Cash book balance at the end of the year	-	-
Bank statement balance at the beginning of the year	-	246 756
Bank statement balance at the end of the year	-	-
Electricity Main Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080947941: Cheque Account</i>		
Cash book balance at the beginning of the year	259 234	255 533
Cash book balance at the end of the year	<u>5 674</u>	<u>259 234</u>
Bank statement balance at the beginning of the year	259 234	255 533
Bank statement balance at the end of the year	<u>5 674</u>	<u>259 234</u>
Electricity Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080949301: Cheque Account</i>		
Cash book balance at the beginning of the year	518 704	511 644
Cash book balance at the end of the year	<u>12 307</u>	<u>518 704</u>
Bank statement balance at the beginning of the year	518 703	511 644
Bank statement balance at the end of the year	<u>12 307</u>	<u>518 703</u>

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
19. BANK BALANCES AND CASH (Continued)		
Gijima Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62115726525: Cheque Account</i>		
Cash book balance at the beginning of the year	2 326	33
Cash book balance at the end of the year	<u>1 528</u>	<u>2 326</u>
Bank statement balance at the beginning of the year	2 326	33
Bank statement balance at the end of the year	<u>1 528</u>	<u>2 326</u>
Grants Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62049936323: Cheque Account</i>		
Cash book balance at the beginning of the year	18 555 336	8 008 879
Cash book balance at the end of the year	<u>4 972 627</u>	<u>18 555 336</u>
Bank statement balance at the beginning of the year	18 555 336	8 008 879
Bank statement balance at the end of the year	<u>4 972 627</u>	<u>18 555 336</u>
Fines Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62079758268: Cheque Account</i>		
Cash book balance at the beginning of the year	59 748	12 419
Cash book balance at the end of the year	<u>241 267</u>	<u>59 748</u>
Bank statement balance at the beginning of the year	60 082	12 419
Bank statement balance at the end of the year	<u>241 267</u>	<u>60 082</u>
Grants Bank Account (2)		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 74303898107: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>24 335 759</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>24 335 759</u>	<u>-</u>
Petty cash and cash on hand	4 706 486	2 289 824
TOTAL BANK BALANCES AND CASH:	<u><u>56 464 904</u></u>	<u><u>48 056 660</u></u>
20. PROPERTY RATES		
<u>Actual</u>		
Residential	102 571 649	86 285 090
Commercial	31 934 197	24 565 585
Residential for commercial purposes	823 813	765 623
Education and State	3 020 663	2 744 846
Municipal	-	-
Agriculture	2 106 349	1 977 290
Private open space	-	-
Vacant	46 199 983	46 019 618
PSI	20 144	16 101
Total Assessment Rates	<u><u>186 676 799</u></u>	<u><u>162 374 152</u></u>
<u>Property Valuations</u>		
Residential	22 500 971 750	21 915 369 650
Commercial	2 426 431 370	2 152 124 370
Residential for commercial purposes	117 570 000	117 770 000
Education and State	271 033 000	265 459 000
Municipal	341 396 000	334 204 000
Agriculture	1 653 011 000	1 672 834 000
Vacant	3 078 520 700	3 310 652 700
Informal settlements	1 410 000	3 415 000
Land reform	326 937 000	324 982 000
Monuments	1 335 000	1 260 000
PSI	22 583 500	19 460 000
Worship / PBOS	114 124 000	111 394 000
Total Property Valuations	<u><u>30 855 323 320</u></u>	<u><u>30 228 924 720</u></u>
The last general valuation came into effect on:	02/07/2006	02/07/2006
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		

2011	2010
R	R

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
20. PROPERTY RATES (Continued)		
Supplementary valuations are prepared on a biannual basis taking into account consolidations and subdivisions as well as property category changes		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform, monuments and residential used for commercial purposes	0,01274	0,01182
Agricultural	0,005097	0,004728
Industrial, business and commercial, vacant, public infrastructure, state owned and worship	0,02229	0,02068
The first R50 000 of the valuation of residential properties are exempt from the calculation of rates.		
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Improved special residential property	60%	60%
State property owners	50%	50%
Agricultural property & PSI	75%	75%
Residential used for commercial purposes	45%	45%
Industrial, business and commercial, and vacant	25%	25%
Land reform, worship, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
Pensioners	25%	25%
Ballito Business Park Phase 2	0.00%	25.00%
Ballito Business Park Phase 3	30.29%	49.04%
Industrial incentives including:		
Phasing in of rates from the first year of establishment	25%	25%
Residential Developers incentive		
In first & second year thereafter phased out by 10% per annum	100%	100%
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2011 financial year:		
On an annual basis, by application, and the final date of payment being:	30 Sept 2010	30 Sept 2009
On a monthly basis, and the final dates of payment being the last working day of the month from August 2010 to June 2011.		
Interest is levied on outstanding rates per annum at:	12%	12%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%
21. SERVICE CHARGES		
Sale of electricity	333 357 331	264 952 093
Refuse removal	34 920 327	28 469 531
Total Service Charges	368 277 657	293 421 624

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	50 939 716	41 801 436
Municipal Infrastructure Grant	11 959 275	17 573 471
Financial Management Grant	1 450 524	559 160
Interdepartmental Monitoring Grant	-	40 000.00
Land Use Management Systems	45 000	180 000
Department of Minerals and Energy	3 645 283	354 717
Municipal Systems Improvement Grant	555 985	1 389 342
New Library Grant	97 990	101 543
Admin Capacity Grant	-	100 000
Community Worker Development	-	16 351
Provincial Health Subsidies	4 600 930	4 507 735
Department of Sports and Recreation	1 680 000	-
CBD Revitalization	414 113	-
Agricultural Show Grant	-	5 770
King Shaka	1 007 174	995 473
Museum	141 000	-
Department of Housing: RDP Housing	10 000	435 179
Disaster Rough Seas	1 552 901	9 385 485
Ramasar Relief Fund	30 943	7 000
Disaster Relief Fund: Storm	-	2 150
Dept. Of Agriculture Grant	-	100 000
Property Rates Implementation	78 711	22 305
Library Headcount System	-	60 920
Ilembe Shared Services Grant	228 207	-
Neighbourhood Development Partnership Grant	797 351	-
Belgium Training Grant	45 000	-
Total Government Grant and Subsidies	79 280 103	77 638 037

No Grants were withheld

22.1 Equitable Share

Balance unspent at beginning of year		
Current year receipts	50 939 716	41 801 436
Conditions met – transferred to revenue	(50 939 716)	(41 801 436)
Conditions still to be met	-	-

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

22.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	2 690 260	323 731
Current year receipts	22 693 000	19 940 000
Conditions met - transferred to revenue	(11 959 275)	(17 573 471)
Conditions still to be met-transferred to liabilities (see note 8)	13 423 985	2 690 260

This grant was used for road infrastructure as part of upgrading of informal settlements.

22.3 Financial Management Grant

Balance unspent at beginning of year	682 612	491 772
Current year receipts	1 200 000	750 000
Conditions met - transferred to revenue	(1 450 524)	(559 160)
Conditions still to be met-transferred to liabilities (see note 8)	432 088	682 612

This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld by National Treasury.

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.4 Interdepartmental Monitoring Systems Grant		
Balance unspent at beginning of year	-	40 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Transferred to Revenue	-	(40 000)
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
The grant was to be used for administrative capacity building. No funds were withheld.		
22.5 Land Use Management Systems Grant		
Balance unspent at beginning of year	152 000	332 000
Current year receipts	-	-
Conditions met - transferred to revenue	(45 000)	(180 000)
Conditions still to be met-transferred to liabilities (see note 8)	<u>107 000</u>	<u>152 000</u>
Spatial development framework and land use management systems. No funds were withheld.		
22.6 Department of Minerals and Energy Grant		
Balance unspent at beginning of year	3 645 283	-
Current year receipts	-	4 000 000
Conditions met - transferred to revenue	(3 645 283)	(354 717)
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>3 645 283</u>
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
22.7 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	795 803	1 450 145
Current year receipts	750 000	735 000
Conditions met - transferred to revenue	(555 985)	(1 389 342)
Conditions still to be met-transferred to liabilities (see note 8)	<u>989 818</u>	<u>795 803</u>
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
22.8 New Library Grant		
Balance unspent at beginning of year	29 780	41 323
Current year receipts	96 000	90 000
Conditions met - transferred to revenue	(97 990)	(101 543)
Conditions still to be met-transferred to liabilities (see note 8)	<u>27 790</u>	<u>29 780</u>
This grant was in construction of new KwaDukuza library. No funds were withheld.		
22.9 Admin Capacity		
Balance unspent at beginning of year	-	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(100 000)
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant is for capacity building.		
This grant is for improvement in public participation. No funds were withheld.		

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.10 Community Development Workers Grant		
Balance unspent at beginning of year	-	16 351
Current year receipts	-	-
Conditions met - transferred to revenue	-	(16 351)
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant is used to pay for community development workers. No funds were withheld.		
22.11 Provincial Health Subsidies		
Balance to be refunded at beginning of year	(1 699 376)	(1 340 437)
Current year receipts	4 329 000	4 148 796
Expenditure claimed in accordance with grant conditions	(4 600 930)	(4 507 735)
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	<u>(1 971 307)</u>	<u>(1 699 376)</u>
The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.		
22.12 Property Rates Implementation		
Balance unspent at beginning of year	110 695	133 000
Current year receipts	-	-
Conditions met - transferred to revenue	(78 711)	(22 305)
Conditions still to be met-transferred to liabilities (see note 8)	<u>31 985</u>	<u>110 695</u>
This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.		
22.13 Development Bank of South Africa		
Balance unspent at beginning of year	262 774	262 774
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Adjustments	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>262 774</u>	<u>262 774</u>
This grant is for capacity building.		
22.14 Department of Sports and Recreation		
Balance unspent at beginning of year	-	-
Current year receipts	1 680 000	-
Conditions met - transferred to revenue	(1 680 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.		

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.15 CBD Revitalization		
Balance unspent at beginning of year	5 004 233	129 233
Current year receipts	-	4 875 000
Conditions met - transferred to revenue	(414 113)	-
Conditions still to be met-transferred to liabilities (see note 8)	4 590 120	5 004 233
This grant is for the revitalization of the urban design framework for KwaDukuza central business district (CBD) to increase growth opportunities and investor confidence.		
22.16 Agricultural		
Balance unspent at beginning of year	-	5 770
Current year receipts	-	-
Conditions met - transferred to revenue	-	(5 770)
Adjustments		
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for the erection of a stall at the Garden and Leisure Show in Pietermaritzburg		
22.17 King Shaka Tourism Route		
Balance unspent at beginning of year	1 007 174	1 502 646
Current year receipts	-	500 000
Conditions met - transferred to revenue	(1 007 174)	(995 473)
Conditions still to be met-transferred to liabilities (see note 8)	-	1 007 174
This grant is for the construction of bus and pedestrian access to King Shaka's Cave.		
22.18 Municipal Assistance Programme		
Balance unspent at beginning of year	2 205 358	2 205 358
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	2 205 358	2 205 358
This grant is for credit control and GRAP implementation.		
22.19 Museum		
Balance unspent at beginning of year	68 000	-
Current year receipts	73 000	68 000
Conditions met - transferred to revenue	(141 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	-	68 000
This grant is for the Museum expenditure incurred.		
22.20 Department of Housing: RDP Housing		
Balance to be refunded at beginning of year	(2 066 644)	(3 469 675)
Current year receipts	2 036 719	1 838 211
Expenditure claimed in accordance with grant conditions	(10 000)	(435 179)
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	(39 925)	(2 066 644)
Amount due by Department of Housing in respect of bridge financing of RDP project in terms of the HAC meeting 08/2005 approved by the MEC.		

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.21 Disaster Rough Seas		
Balance to be refunded at beginning of year	(2 179 823)	(931 470)
Current year receipts	747 494	8 137 132
Expenditure claimed in accordance with grant conditions	(1 552 901)	(9 385 485)
	<u>(2 985 230)</u>	<u>(2 179 823)</u>
Grant claim outstanding - transferred to non-exchange receivables (see note 17)		
This grant is from Department of Provincial Local Government for the clean up operations on the beaches.		
22.22 Ramasar Relief Fund		
Balance unspent at beginning of year	30 943	37 943
Current year receipts	-	-
Conditions met - transferred to revenue	(30 943)	(7 000)
	<u>-</u>	<u>30 943</u>
Conditions still to be met-transferred to liabilities (see note 8)		
This grant represents public donations paid in respect of fire damage to ratepayers homes.		
22.23 Disaster Relief Fund - Storm 28.02.2009		
Balance unspent at beginning of year	-	2 150
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2 150)
	<u>-</u>	<u>-</u>
Conditions still to be met-transferred to liabilities (see note 8)		
This grant represents public donations paid in respect of storm damage on 28 February 2009.		
22.24 Department of Agriculture		
Balance unspent at beginning of year	-	100 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(100 000)
	<u>-</u>	<u>-</u>
Conditions still to be met-transferred to liabilities		
This grant is in respect of the Amadumbe processing plant.		
22.25 Health: SAPPI		
Balance unspent at beginning of year	24 150	24 150
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	<u>24 150</u>	<u>24 150</u>
Conditions still to be met-transferred to liabilities (see note 8)		
This grant represents renovations to the clinic funded by SAPPI.		

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.26 Library Head Count System		
Balance unspent at beginning of year	-	-
Current year receipts	-	60 920
Conditions met - transferred to revenue	-	(60 920)
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant represents the Library Head Count System		
22.27 iLembe Shared Services		
Balance unspent at beginning of year	643 500	-
Current year receipts	471 900	643 500
Conditions met - transferred to revenue	(228 207)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>887 193</u>	<u>643 500</u>
This grant is for the hiring of a town planner for the KwaDukuza area.		
22.28 Neighbourhood Development Partnership		
Balance unspent at beginning of year	-	-
Current year receipts	5 582 603	-
Conditions met - transferred to revenue	(797 351)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>4 785 252</u>	<u>-</u>
This grant is for Infrastructure Development		
22.29 Belgium - Training		
Balance unspent at beginning of year	-	-
Current year receipts	100 000	-
Conditions met - transferred to revenue	(45 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>55 000</u>	<u>-</u>
This grant is for community upliftment		
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	89 350 079	77 616 704
Contributions to UIF, medical, pension benefits, WC and levies	26 013 535	23 080 672
Travel, motor car, accommodation, subsistence and other allowances	7 247 780	6 601 788
Housing benefits and allowances	613 484	785 569
Overtime, standby and rations payments	16 564 390	15 271 348
Leave pay and leave bonus payments	10 242 490	7 975 467
	<u>150 031 758</u>	<u>131 331 548</u>
Included in the employee related costs are the following:		
<i>Remuneration of the Municipal Manager</i>		
Annual remuneration	718 392	654 929
Car allowance	241 215	241 260
Contributions to UIF, medical and pension funds	152 362	132 836
Total	<u>1 111 968</u>	<u>1 029 025</u>
The Municipal Manager has tendered his resignation with effect 31 July 2011		
<i>Remuneration of the Chief Finance Officer</i>		
Annual remuneration	793 203	775 581
Car allowance	37 177	30 009
Contributions to UIF, medical and pension funds	213 496	146 988
Total	<u>1 043 876</u>	<u>952 579</u>
<i>Remuneration of Executive Directors</i>		
<u>Economic Development and Planning</u>		
Annual remuneration	891 909	684 719
Car allowance	96 025	96 055
Medical and pension funds	22 060	10 980
Total	<u>1 009 995</u>	<u>791 754</u>
The Executive Director for EDP has been seconded to Municipal Services		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2011
R

2010
R

Technical Services

Annual remuneration	-	747 770
Car allowance	-	-
Medical and pension funds	-	132 091
Total	<u>-</u>	<u>879 861</u>

The Executive Director for Technical Services has resigned. The post has not yet been filled.

Corporate Services

Annual remuneration	294 346	839 883
Car allowance	-	-
Medical and pension funds	44 674	114 530
Total	<u>339 020</u>	<u>954 413</u>

The Executive Director of Corporate Services retired on 30 September 2010. The post has not yet been filled.

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
23 EMPLOYEE RELATED COSTS (Continued)		
<u>Municipal Services</u>		
Annual remuneration	-	569 526
Car allowance	-	-
Medical and pension funds	-	1 123
Total	<u>-</u>	<u>570 649</u>

As of 31 March 2010 the post of Executive Director: Municipal Services was vacant. The Executive Director for EDP has been seconded to Municipal Services.

24. REMUNERATION OF COUNCILLORS

Mayor	537 789	538 587
Deputy Mayor	433 981	433 020
Speaker	462 428	433 020
Mayoral committee members	2 581 420	2 408 054
Councillors	5 645 373	5 178 120
Councillors' pension contribution	870 055	862 489
Total Councillors' Remuneration	<u>10 531 046</u>	<u>9 853 291</u>

In-kind Benefits

The Mayor has the use of a Council owned vehicle for official duties and has five permanent bodyguards.

25. FINANCE COSTS

Non-current liabilities	9 855 475	11 132 734
	<u>9 855 475</u>	<u>11 132 734</u>

26. BULK PURCHASES

Electricity	<u>236 752 639</u>	<u>183 538 696</u>
-------------	--------------------	--------------------

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 28.9% tariff hike in favour of Eskom.

27. GENERAL EXPENSES

Included in general expenses is the following: -

Departmental charges	10 598 341	10 045 820
Free basic services	8 574 980	5 530 385
Dump charges	8 064 878	7 035 187
Replacement of faulty meters	215 886	3 007 099
Indigent support - sports and recreation department	4 800 584	4 793 187
Indigent support - waste management department	1 607 794	2 016 523
Security services	4 688 772	3 328 109
LED provision	-	1 390 669
Shark control expenditure	2 249 582	2 045 075
Call out to consumer complaints	3 043 598	2 108 313
Life saving Africa	2 883 451	1 570 795
Grant expenditure	10 000	435 179
Legal costs	2 789 609	2 532 945
Marketing	662 803	1 509 096
Audit fee - external audit	2 632 577	1 095 957
Bank charges	1 674 494	2 211 480
Insurance general	2 943 826	1 235 802
Refuse bags/contract	1 384 990	1 328 770
Free basic services	6 411 108	4 484 018
Valuations & valuation rolls	3 753 121	1 065 704
Processing of fines	1 796 694	1 226 051
Subsidies - selling schemes	1 055 531	1 038 301
Other general expenses	47 244 977	47 532 473
	<u>119 087 595</u>	<u>108 566 938</u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
28. OTHER INCOME		
Included in other income is the following: -		
Contributions demand based	7 817 203	4 579 816
Building plan fees	3 272 351	3 121 271
Sundries	2 794 317	432 148
Electricity availability	1 717 405	1 827 378
Non standard service connection	893 480	1 506 853
Disconnection / reconnection fees	1 146 698	762 386
Roads master plan	268 722	51 330
Sale of redundant stock	-	83 250
Sale of electricity street lights	1 225 847	1 157 422
Other income	6 785 860	12 556 982
	25 921 883	26 078 836
29. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
29.1 Irregular Expenditure:		
Opening Balance	33 013 671	-
Goods and/or services not procured through competitive bidding processes. This matter is to be reported to Council, the MEC & the Auditor General	(8 991 241)	8 991 241
Supply Chain Management Regulation 22 - contracts exceeding R10m advertised for less than 30 days (Contract advertised for 16 days in compliance with CIDB regulations and guidelines for Accounting Officers. This is in conflict with SCM regulations requiring a minimum of 30 days.)	(24 022 430)	24 022 430
Closing Balance	-	33 013 671
29.2 Fruitless and Wasteful Expenditure:		
Opening Balance	-	-
The following expenditure is deemed to be fruitless and wasteful and the provisions of Sections 32(2) will be complied with in due course:		
B P B Sindi Construction: Capital and Interest	1 846 196	-
Payment for Ethafeni Housing Project for R1 010 540.71 was made as bridging finance until such refund will be claimed from the erstwhile Department of Housing. It is a further resolution of Council that should the Department of Housing not pay the amount claimed, or underpay the amount claimed, the Executive Director: EDP source internal funding to liquidate the debt. The effective date of the said payment was 16 February 2007 and to date no refund has been received whilst accumulating interest.		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
Khayelihle Projects: Capital and Interest	1 845 112	-
Settlement was reached after a provisional sentence summons was issued in favour of Advidata Trading 459 CC Trading as Khayelihle Projects as the plaintiff by the High Court in KwaZulu Natal. The dispute related to contractual obligations of low cost housing foundations and VIP toilet pits. The Capital portion of the payment was R1 782 065.05.		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
The above fruitless and wasteful expenditure is disclosed as part of Receivables from Non-Exchange Transactions and have been fully impaired subject to the outcomes of Section 32 of the MFMA.		
Closing Balance	3 691 309	-
30. CASH GENERATED BY OPERATIONS		
Surplus for the year	50 679 679	42 004 946
Adjustment for: -		
Amortisation: Intangible assets	768 432	1 386 796

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
Depreciation: Property, Plant and equipment	37 260 903	26 025 589
Impairment loss	8 711	4 290 130
Scrapping loss	-	-
Loss on disposal of property, plant and equipment	1 819 613	1 434 801
Gain on disposal of property	(165 042)	-
Contribution to provisions - non-current	3 967 415	3 242 337
Subsidy released from Economic Housing Subsidy	1 600 097	1 038 301
Contribution to retirement benefit obligation	10 499 155	281 610
Contribution to long service award benefits	1 554 014	(313 607)
Increase / (Release from) bad debt provision	19 388 076	44 848 252
Bad debts written-off	2 149 055	1 247 632
Fair value adjustment : Investment properties	(1 120 000)	11 265 000
Investment income	(16 271 896)	(14 766 609)
Public Donations	-	(27 960 408)
Finance costs	9 855 475	11 132 734
Operating surplus before working capital changes:	121 993 687	105 157 504
(Increase)/decrease in inventories	101 358	423 265
(Increase)/decrease in exchange receivables	(17 262 486)	(4 778 059)
(Increase)/decrease in non-exchange receivables	(1 264 498)	1 779 807
Increase/(decrease) in conditional grants and receipts	10 469 949	10 154 220
Increase in creditors	14 026 804	3 216 275
Decrease in short term portion of long term receivables	(8)	3 946
(Increase)/decrease in VAT receivable	(1 169 598)	1 608 400
Cash generated by operations	126 895 208	117 565 358

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	56 464 904	48 056 660
Call investment deposits	222 483 929	199 549 638
Total cash and cash equivalents at the end of the year	<u><u>278 948 834</u></u>	<u><u>247 606 298</u></u>
The municipality has no undrawn borrowing facilities.		
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>32.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	719 808	484 707
Amount paid - current year	(719 808)	(484 707)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
<u>32.2 Audit fees</u>		
Opening balance	8 138	122 174
Current year audit fee	3 018 682	2 178 958
Amount paid - current year	(2 990 434)	(2 292 994)
Amount paid - previous years	(8 138)	-
Balance unpaid (included in creditors)	<u><u>28 248</u></u>	<u><u>8 138</u></u>
<u>32.3 VAT</u>		
Vat received for the year	<u><u>7 758 706</u></u>	<u><u>11 963 425</u></u>
VAT paid for the year	<u><u>(2 317 810)</u></u>	<u><u>(1 281 783)</u></u>
VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
<u>32.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	20 757 845	16 736 473
Amount paid - current year	(20 757 845)	(16 736 473)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
<u>32.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council Contribution	35 282 893	31 763 334
Amount paid - current year	(35 282 893)	(31 763 334)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

**2011
R**

**2010
R**

**32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (Continued)**

32.6 Councillor's arrear consumer accounts

The following Councillor had arrear accounts outstanding for more than 90 days during the financial year:

Outstanding more than 90 days

Councillor: S K Naidu

6 952

-

32.7 Supply chain management deviations

Mayoral Games	35 000	-
Mr Price Pro Surfing Contest	116 201	435 000
Storm Damage	3 456 998	-
General contracts	8 023 151	7 252 278
Electrical contracts	13 474 247	7 155 705
Civil contracts	1 687 942	832 568
Roads	200 000	5 973 731
2010 Soccer World Cup	-	45 691
	26 993 540	21 694 973

Contracts extended and not reported in terms of S116 (3) of the Municipal Finance Management Act	-	18 347 141
--	---	-------------------

32.8 Material losses incurred

Electricity Distribution Losses

Technical Losses	21 713 281	14 636 125
Non Technical Losses	1 888 111	1 272 707

Technical and non technical electricity distribution losses	23 601 392	15 908 832
---	-------------------	-------------------

No disciplinary action will be taken as the losses incurred are not due to negligence. Council is in the process of addressing the non technical losses via a meter replacement programme.

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for:	18 243 875	26 671 848
--------------------------------	------------	------------

Infrastructure	13 868 527	20 460 649
Community	3 975 348	6 211 199
Intangible	400 000	-

- Approved but not yet contracted for:	372 608 662	249 399 726
--	-------------	-------------

Infrastructure	343 595 438	232 867 014
Community	20 824 224	16 532 712
Intangible	8 189 000	-

Total	390 852 537	276 071 574
--------------	--------------------	--------------------

This expenditure will be financed as follows:

Grant funded	51 936 000	141 643 044
Council funded	62 187 109	48 267 117
External Loans	276 729 427	86 161 413
	390 852 537	276 071 574

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
34. CONTINGENT LIABILITIES		
Reimbursement of capital costs of bulk supply to developers	172 100 779	179 512 779
A claim made by Ezio Gori which is currently being defended by the municipality. Mr Gori is suing the municipality for breach of contract for terminating his contract as project manager for various housing projects.	-	310 536
Iliso Consulting is suing the municipality for breach of contract and for professional fees for the Groutville Priority one housing project. They claim that they were appointed by Prop 5 Consultants who were project managers for Council. Council did not mandate Prop 5 to appoint these consultants.	-	233 510
Default judgement was granted against the municipality for costs arising out of a motor vehicle collision with Mr VN Sangweni	-	120 000
Obligations arising out of pending valuation appeals	-	-
Staff dispute in progress	-	432 624
Chief Albert Luthuli Housing Project - Payment outstanding to AVI Data Trading 457CC trading as Khayelihle Projects since the period 2007-2008. This liability has been in dispute.	-	1 835 112
	172 100 779	182 444 562
35. CONTINGENT ASSETS		
Eagle Take Away failed to pay Kwadukuza Municipality an amount of R1 266 451 for proceeds from sale of prepaid electricity cards.	-	-
Debtor sued for rates & service charges.	-	-
Debtors being sued for outstanding service charges	-	82 000
Claim by Kwadukuza Municipality against three debtors	-	136 520
Alleged misappropriation of funds by former employee.	-	40 730
Case of theft of money by cashier. Case opened with SAPS and attempts are being made to recover the monies.	-	-
Case Involving alleged Town Planning Transgression	-	50 000
Cancellation of Sale Agreement	-	-
	-	309 250

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

**2011
R**

**2010
R**

36. CORRECTION OF ERROR

The comparatives for 2009/10 have been restated in respect of the following errors:

36.1 Errors for accounting for Property, Plant and Equipment (Note 10)

Property Plant & Equipment as previously reported	-	681 802 575
Correction of Depreciation previously incorrectly levied	-	150 761
Correction of Intangible assets incorrectly classified as PPE	-	582 736
Correction of duplication in prior years	-	(3 435 427)
Net Change for 2009	-	1 399 602
Restated balance as at 30 June 2010	-	680 500 247

36.2 Errors for accounting for Intangible Assets (Note 11)

Intangible assets as previously reported 30 June 2009	-	891 572
Re-classification of categories	-	(582 736)
Net Change for 2009	-	1 138 521
Restated balance as at 30 June 2010	-	1 447 357

36.2 Restatement of non-exchange receivable (Note 17)

Non-exchange receivables as previously reported	-	50 258 668
Adjustment to Rates Revenue 2009/10 in respect of Developers Incentives	-	(3 324 667)
Adjustment to Rates Revenue prior years in respect of Developers Incentives	-	(5 014 735)
Adjustment to prior year accumulated surplus - Ilembe Debtor	-	(4 991 725)
Restated balance as at 30 June 2010	-	36 927 540

36.3 Restatement of the surplus for the year

Surplus for the year as previously stated	-	48 614 278
Adjustment to Rates Revenue 2009/10 in respect of Developers Incentives	-	(3 324 667)
Adjustments to P P & E and depreciation	-	(3 284 665)
Surplus for the year restated	-	42 004 946

37. EVENTS AFTER THE REPORTING DATE

37.1 PRIMARY HEALTH CARE FUNCTION

The Primary Health Care function that is being performed on behalf of the Provincial Health Department is to be reabsorbed by the Provincial Health Department. The effective date of this transfer was 01 January 2008, however at 30 June 2011 the process of transferring this function was not complete. All staff, assets and liabilities associated with this function have not yet been transferred to the Provincial Health Department on that date.

The subsidy received from the Provincial Health Department for the rendering of this service on behalf of the Department does not fully cover the operational costs associated with this service, and this service is therefore reliant on subsidisation by the income raised from rate and tariff billing.

37.2 NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA approved a 26.71% increase in Eskom bulk purchase tariffs which will have a significant effect on future revenues and expenditure.

38. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

	2011 R	2010 R
39. RELATED PARTIES		
39.1 COUNCILLOR: A G HORTON		
<u>Expenditure:</u>		
General Expenses for the year	Nil	97 322
Nature of transaction: Mr Horton was a partner in a legal firm which Council utilizes their services. Mr. Horton suspended his shares in the legal firm and resigned as councillor on 31 March 2010.		
Balance outstanding at year end:	Nil	Nil
39.2 COUNCILLOR: R SINGH		
<u>Expenditure:</u>		
General Expenses for the year	3 258 569	4 234 263
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil
39.3 STAFF MEMBER: S KUBER		
<u>Expenditure:</u>		
General Expenses for the year	8 409	13 803
Nature of transaction: The Council has entered into a contract for printing and stationery supply with the staff member's parent.		
Balance outstanding at year end:	Nil	Nil
39.4 STAFF MEMBER: G GIBBON		
<u>Expenditure:</u>		
General Expenses for the year	26 400	26 400
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.5 STAFF MEMBER: J N HALL		
<u>Expenditure:</u>		
General Expenses for the year	Nil	7 500
Nature of transaction: The Council has entered into a rental agreement with the staff member. The staff member has resigned.		
Balance outstanding at year end:	Nil	Nil

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
39. RELATED PARTIES (continued)		
39.6 STAFF MEMBER: N G S BIYELA		
<u>Expenditure:</u>		
General Expenses for the year	Nil	6 900
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	Nil
39.7 STAFF MEMBER: C BUNDY		
<u>Expenditure:</u>		
General Expenses for the year	Nil	67 016
Nature of transaction: The Council has entered into a contract with the spouse of the employee for the implementation of LED projects. The employee resigned on 31 January 2010		
Balance outstanding at year end:	Nil	Nil
39.8 STAFF MEMBER: P NAIDOO		
<u>Expenditure:</u>		
General Expenses for the year	109 973	118 609
Nature of transaction: The Council has entered into a contract with the father of the employee for the sale of prepaid electricity		
Balance outstanding at year end:	Nil	Nil
39.9 STAFF MEMBER: P MURUGAN		
<u>Expenditure:</u>		
General Expenses for the year	130 332	92 458
Nature of transaction: The brother of the employee provides pest control services to the municipality		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	3 533 683	4 664 270
40. LEASES		
OPERATING LEASES		
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	458 449	395 304
Later than 1 year and no later than 5 years	2 074 773	1 975 974
Later than 5 years	7 359 456	7 916 704
	9 892 678	10 287 982
Salient leases		
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
40. LEASES (continued)		
FINANCE LEASES		
Amounts payable under finance leases:		
Finance lease liability - Minimum lease payments		
No later than 1 year	256 890	273 926
Later than 1 year and no later than 5 years	331 061	171 105
Later than 5 years		
Future Finance charges on finance leases	(69 819)	(57 972)
Present Value of finance lease liability	<u>518 132</u>	<u>387 059</u>
Present Value of Minimum Lease Obligations		
No later than 1 year	210 815	232 488
Later than 1 year and no later than 5 years	307 317	154 571
Later than 5 years		-
	<u>518 132</u>	<u>387 059</u>
<p>Finance Lease Liabilities relates to Furniture and Fittings with lease terms of 3 to 5 years. The effective interest rate on Finance Leases is between 13,50% and 19.00%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.</p> <p>The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.</p>		
41. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION		
Long-term liabilities - facilities granted	56 151 309	116 864 096
Used to finance property, plant and equipment - at cost	<u>56 151 309</u>	<u>(94 518 015)</u>
Undrawn facilities	<u>-</u>	<u>22 346 081</u>
DBSA R43 million loan	-	6 344 489
Inca vehicle loan R40.4 million	<u>-</u>	<u>16 001 592</u>
	<u>-</u>	<u>22 346 081</u>
Facilities Granted / Not yet utilized	<u>-</u>	<u>22 346 081</u>
<p>The loan facility at INCA has lapsed during the financial year.</p>		

42. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

42.1 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market. There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42.1.1 Categories of Financial Instruments and Fair Value Estimation

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities. In accordance with IAS 39.09 the financial assets and liabilities of the municipality are classified as follows:

30 June 2011	2011 Carrying Amount R	2010 Carrying Amount R
FINANCIAL ASSETS		
Investments and Recievables	350 920 403	350 197 550
Investments	-	32 551 943
Cash and Cash Equivalents	303 127 042	237 575 809
Loans and Recievables	47 793 361	80 069 798
Total Financial Assets	350 920 403	350 197 550
FINANCIAL LIABILITIES		
Financial Liabilities and Creditors	177 309 774	200 024 247
Long-term Liabilities	46 174 534	50 131 377
Trade and Other Payables:	131 135 240	149 892 870
Total Financial Liabilities	177 309 774	200 024 247
Total Financial Instruments	173 610 629	150 173 304

42.2.2 Interest Rate Risk Management

The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/(deficit).

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Effect of a change in interest rate on interest bearing financial assets and liabilities

<u>Financial Assets</u>	<u>Classification</u>	2011 R	2010 R
<u>External investments:</u>			
Investments	Held to maturity	24 178 212	41 108 525
Call investment deposits	Available for sale	222 483 926	180 962 567
Bank balances and cash	Available for sale	56 464 904	48 056 660
		303 127 042	270 127 752
<u>Interest received</u>			
Interest Earned - External Investments		16 271 896	14 766 609
Percentage return on investments		5.33%	5.47%
<u>Effect of a change in interest rate on interest earned from external investments:</u>			
Effect of change in interest rate	%	4.33%	4.47%
Effect of change in interest rate	Rand value	13 219 007	12 065 331
Effect of change in interest rate	%	6.33%	6.47%
Effect of change in interest rate	Rand value	19 324 785	17 467 886
<u>Outstanding debtors:</u>			
Long-term receivables	Loans and receivables	982 613	1 369 006
Current portion of long-term receivables	Loans and receivables	1 117	1 109
Trade receivables from exchange transactions	Loans and receivables	24 550 773	29 584 647
Trade receivables from non-exchange transactions	Loans and receivables	22 259 975	49 116 145
		47 794 477	80 070 907
<u>Interest received</u>			

Interest Earned - Outstanding Debtors

460 904

1 870 691

Percentage return on debtors

0.96%

2.34%

42 FINANCIAL INSTRUMENTS (Continued)

Effect of a change in interest rate on interest earned from outstanding debtors

Effect of change in interest rate	%	0.50%	1.34%
Effect of change in interest rate	Rand value	238 972	1 069 982
Effect of change in interest rate	%	1.96%	3.34%
Effect of change in interest rate	Rand value	941 012	2 671 400

Financial Liabilities

Classification

Long-term Liabilities

Local Registered Stock Loans	Financial liabilities at amortised cost	-	17 006 000
Non Annuity Loans	Financial liabilities at amortised cost	49 905 738	70 666 809
Annuity Loans	Financial liabilities at amortised cost	6 245 572	6 845 206
		56 151 309	94 518 015

Interest paid

Long-term Liabilities	9 795 822	11 132 734
Interest rate %	17.45%	11.78%

Effect of a change in interest rate on interest paid on long-term liabilities

Effect of change in interest rate	%	16.45%	10.78%
Effect of change in interest rate	Rand value	9 234 457	10 187 553
Effect of change in interest rate	%	18.45%	12.78%
Effect of change in interest rate	Rand value	10 357 187	12 077 914

42.2 Credit Risk Management

Credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2011 R
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows (domestic exposure only, no international exposure):	
Investments	-
Recievables	47 793 361
Cash and Cash Equivalents	303 127 042
Maximum Credit and Interest Risk Exposure	350 920 403

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Recievables are broken down as follows:

Consumer Debtors	24 550 773
Other Debtors	23 242 587
	47 793 361

The ageing of trade recievables at the reporting date was as follows:

Gross	24 550 773
0-30 Days	24 868 013
31-120 Days	12 363 454
More than 120 Days	14 201 398
Less: Provision for Bad Debts	(26 882 092)
Net Consumer Debtors	24 550 773

Movement in the provision for bad debts:

Balance at the begining of the year	83 093 232
Contribution	20 010 369
Bad Debts written off	2 149 055
Balance at year end	103 103 601

42.3 Liquidity Risk

Liquidity risk refers to the ability of an entity to meet its obligations associated with financial liabilities.

Council's objectives is to maintain the availability of funds through loan borrowings and an adequate amount of committed credit facilities, including the repayment and withdrawal facility.

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows. The cash flows included in the maturity analysis are not expected to occur significantly earlier, or at significantly different amounts.

Description		Note ref in AFS	Carrying Amount	Contractual cash flows	1 year or less	1 - 2 Years	2 - 5 Years
30 June 2011		#	R		R	R	
Long-term Borrowings		2	56 151 309	102 474 095	49 293 114	16 907 988	36 272 992
Non-current Lease Liability		40	518 132	587 951	256 890	331 061	-
Trade and Other Payables		7	101 504 125	101 504 125	101 504 125	-	-
			158 173 567	204 566 171	151 054 129	17 239 049	36 272 992

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the discounted contractual maturities of the financial assets including interest that will be earned on those assets:

Description		Note ref in AFS	Carrying Amount	Contractual cash flows	1 year or less	1 - 2 Years	2 - 5 Years
30 June 2011		#	R		R	R	
Investments		13	24 178 213	25 726 931	25 726 931		-
Call investment deposits		18	222 483 926	223 554 515	223 554 515		-
			246 662 139	249 281 446	249 281 446	-	-

Description		Note ref in AFS	Carrying Amount	Contractual cash flows	1 year or less	1 - 2 Years	2 - 5 Years
30 June 2010		#	R		R	R	
Long-term Borrowings		2	94 518 015	135 082 050	49 293 114	16 907 988	36 272 992
Non-current Lease Liability		40	387 059	445 031	273 926	171 105	-
Trade and Other Payables		7	87 282 910	87 282 910	87 282 910	-	-
			182 187 984	222 809 991	136 849 950	17 079 093	36 272 992

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the discounted contractual maturities of the financial assets including interest that will be earned on those assets:

Description		Note ref in AFS	Carrying Amount	Contractual cash flows	1 year or less	1 - 2 Years	2 - 5 Years
30 June 2010		#	R		R	R	
Investments		13	22 521 455	22 657 609	22 657 609	-	-
Call investment deposits		18	199 549 638	202 867 626	202 867 626	-	-
			222 071 092	225 525 235	225 525 235	-	-

42.4 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

42.5 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010 and there was no change in the capital management policy. The municipality is not subject to externally imposed capital requirements. For the period the municipality has complied with the capital requirements and there were no instances of non-compliance.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

Gearing Ratio

The municipality monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current borrowings as shown in the balance sheet) less cash and cash equivalents plus net debt.

	2011 R	2010 R
The gearing ratio at the year-end was as follows:		
Debt	56 151 309	94 518 015
Net Debt	<u>56 151 310</u>	<u>94 518 015</u>
Equity	<u>848 419 338</u>	<u>811 528 602</u>
Net debt to equity ratio	<u>6.62%</u>	<u>11.65%</u>

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 2.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

KWADUKUZA MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2011

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/10	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/11
		%		R	R	R	R
Stock Loans							
ABSA	4056847480	17.00%	31/12/2010	15 000 000	-	15 000 000	-
KD INCA/FNB Norm	STAN 00-0001	16.90%	30/06/2011	2 006 000	-	2 006 000	-
Total Stock Loans				17 006 000	-	17 006 000	-
Non Annuity Loans							
INCA	KWAD00-0001	16.00%	30/06/2011	19 000 000	-	19 000 000	-
INCA	KWAD00-0002	11.63%	30/06/2012	5 335 047	-	2 513 519	2 821 528
INCA	KWAD00-0003	11.73%	30/06/2012	379 014	-	178 474	200 540
INCA	KWAD00-0004	11.56%	30/06/2012	2 808 459	-	1 323 642	1 484 817
INCA	KWAD00-0005	9.09%	31/05/2015	5 815 565	-	983 053	4 832 512
ABSA (R 3,1 mil)	30-3123-2295	8.73%	01/06/2020	3 100 000	-	149 721	2 950 279
ABSA (R 0,9 mil)	30-3124-5686	8.23%	01/06/2015	900 000	-	200 794	699 206
INCA	KWAD00-0006	9.02%	30/06/2015		6 800 000	1 128 822	5 671 178
DBSA	101276	8.57%	30/09/2025	33 328 724	-	2 083 045	31 245 679
Total Non Annuity Loans				70 666 809	6 800 000	27 561 071	49 905 738
Annuity Loans							
DBSA	10580/204	12.00%	30/09/2017	423 355	-	37 506	385 849
DBSA	11165/102	15.75%	30/09/2017	5 180 449	-	401 142	4 779 307
DBSA	13527/103	16.50%	30/09/2014	443 439	-	73 254	370 185
DBSA	11577/102	13.45%	30/12/2014	6 399	-	1 303	5 096
DBSA	9879/102	12.00%	30/06/2016	791 565	-	86 429	705 136
Total Annuity Loans				6 845 206	-	599 634	6 245 572
TOTAL EXTERNAL LOANS (KWADUKUZA MUNICIPALITY)				94 518 015	6 800 000	45 166 705	56 151 309

KWADAKUZA MUNICIPALITY
APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2011

2011	COST /REVALUATION								ACCUMULATED DEPRECIATION				
	Opening Balance	Additons	Under Construction	Assets fair valued	Assets Donated	Disposals	Transfers	Closing Balance	Restated Opening Balance	Additons	Disposals	Impairment	Closing Balance
Other Assets	4 673 078	892 625						5 565 703	-545 566	-438 964			-984 530
Infrastructure Roads	209 913 690	6 696 328	10 420 519			-122 850		226 907 686	-94 824 636	-3 597 658	15 506		-98 406 788
Buildings	71 134 658	12 521 315	5 830 844					89 486 818	-9 341 155	-5 295 249	-102 643		-14 739 047
Heritage Assets	18 346							18 346	-	-	-		-
Solid Waste	1 554 078	983 523						2 537 601	-150 703	-101 207	-		-251 909
Housing Assets	8 052 000							8 052 000	-4 025 789	-357 875			-4 383 664
Stormwater Infrastructure	114 281 279	213 334						114 494 613	-23 122 499	-3 261 473	-		-26 383 972
Developed Land	31 534 329	65 513				-23 923		31 575 919	-	-			
Electricity Infrastructure	351 951 169	16 303 216				-1 833 273	-	366 421 113	-116 902 382	-14 476 849	567 276		-130 811 955
Vehicles	39 054 144	648 251	3 369 225					43 071 620	-14 341 577	-4 897 020			-19 238 597
Leased Assets	826 365	403 535				-410 265	-432 162	387 473	-477 688	-58 127	327 054		-208 761
Undeveloped Land	73 829 700					-500 000		73 329 700					
Assets under Construction	24 386 478		21 967 352				-19 620 588	26 733 241					
Furniture and Fittings	22 431 745	3 541 721				-402 104	432 162	26 003 524	-9 408 814	-4 775 795	182 973		-14 001 636
	953 641 060	42 269 360	41 587 940	-	-	-3 292 414	-19 620 588	1 014 585 358	-273 140 810	-37 260 217	990 167	-	-309 410 860

Carrying Value
4 581 173
128 500 899
74 747 771
18 346
2 285 691
3 668 336
88 110 642
31 575 919
235 609 157
23 833 023
178 711
73 329 700
26 733 242
12 001 889
705 174 500

KWADAKUZA MUNICIPALITY

APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2011

	COST / REVALUATION				OPENING BALANCE	ACCUMULATED DEPRECIATION				CARRYING VALUE
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE		ADDITIONS	DISPOSALS	CLOSING BALANCE		
EXECUTIVE AND COUNCIL	1 594 818	40 362	(212 115)	1 423 065	684 677	217 787	(108)	902 357	520 708	
FINANCE AND ADMINISTRATION	151 134 658	2 425 464	(1 000 962)	152 559 160	6 663 089	4 920 378	(25 698)	11 557 769	141 001 390	
PLANNING AND DEVELOPMENT	6 772 288	4 693 382	(12 734)	11 452 936	1 684 544	747 811	(71 600)	2 360 755	9 092 181	
HEALTH	2 927 787	260 226	(13 139)	3 174 875	897 138	398 964	(10 422)	1 285 680	1 889 194	
COMMUNITY AND SOCIAL SERVICES	30 805 566	1 145 013	(68 006)	31 882 573	2 726 173	1 770 680	(40 621)	4 456 232	27 426 341	
HOUSING	9 325 300		(140)	9 325 160	4 868 040	443 996	(110)	5 311 926	4 013 234	
PUBLIC SAFETY	14 726 614	1 173 762	(24 312)	15 876 064	12 907 659	1 641 406	(17 384)	14 531 681	1 344 383	
SPORTS AND RECREATION	147 851 133	653 198	(4 883)	148 499 448	4 217 599	3 737 686	(3 746)	7 951 539	140 547 909	
WASTE MANAGEMENT	428 051	802 407		1 230 457	221 333	16 673		238 005	992 453	
ROAD TRANSPORT	216 123 674	27 091 287	(122 850)	243 092 112	94 658 316	3 897 384	(734 563)	97 821 137	145 270 974	
ELECTRICITY	371 951 169	29 902 023	(1 833 273)	400 019 920	143 612 241	19 476 849	(94 627)	162 994 461	237 025 459	
Grand Total	953 641 060	68 187 124	(3 292 414)	1 018 535 769	273 140 810	37 269 614	(998 878)	309 411 542	709 124 227	

KWADUKUZA MUNICIPALITY

APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Revenue R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Revenue R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
(58 403 656)	88 667 598	(30 263 942)	Executive and Council	(66 416 429)	41 166 657	(25 249 772)
(192 252 560)	44 077 027	148 175 533	Finance and Administration	(209 192 870)	66 669 144	(142 523 726)
(4 502 738)	22 745 634	(18 242 895)	Planning and Development	(4 289 445)	26 365 033	22 075 588
(4 482 153)	8 533 787	(4 051 634)	Health	(4 605 648)	10 221 602	5 615 954
(613 994)	10 365 283	(9 751 290)	Community and Social Services	(850 036)	13 085 551	12 235 515
(3 101 107)	4 851 448	(1 750 341)	Housing	(722 243)	5 163 818	4 441 575
(3 314 438)	36 416 940	(33 102 502)	Public Safety	(4 035 899)	45 998 759	41 962 860
(9 539 480)	41 031 711	(31 492 231)	Sports and Recreation	(8 378 102)	47 617 838	39 239 736
(36 060 566)	35 181 667	878 900	Waste Management	(35 720 455)	43 488 851	7 768 396
(5 693 405)	37 944 666	(32 251 260)	Road Transport	(5 666 105)	40 203 879	34 537 774
(306 828 463)	275 453 803	31 374 661	Electricity	(354 173 827)	336 899 742	(17 274 085)
(624 792 563)	605 269 565	19 522 995	Sub Total	(694 051 058)	676 880 874	(17 170 184)
-	(29 091 278)	29 091 278	Less: Inter-Departmental	-	(33 509 494)	(33 509 494)
(624 792 563)	576 178 290	48 614 273	Total	(926 156 328)	849 625 419	(50 679 678)

KWADUKUZA MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	Actual 2011	Budget 2011	Variance 2011	Variance 2011	Explanations of significant Variance greater than 5% versus budget
	R	R	R	%	
REVENUE					
Revenue from non-exchange transactions					
Property rates	(186 676 799)	(193 212 355)	6 535 556	-3.38%	n/a
Property rates - penalties imposed and collection charges	(3 516 455)	(7 269 700)	3 753 245	-51.63%	Valuation appeal matters were less than anticipated leading to less penalties imposed
Fines	(3 468 087)	(3 216 289)	(251 798)	7.83%	Impact of revised Service Level Agreements for the collection of fines
Government grants and subsidies	(79 280 103)	(169 727 576)	90 447 473	-53.29%	Did not receive anticipated capital conditional grants
Licences and permits	(6 239 447)	(5 763 519)	(475 928)	8.26%	Improvement in testing department due to closure of neighbouring testing station.
Public donations - Property, plant and equipment	-	-	-	0.00%	n/a
Revenue from exchange transactions					
Service charges	(368 277 657)	(372 250 015)	3 972 358	-1.07%	n/a
Rental of facilities and equipment	(1 096 878)	(1 444 645)	347 768	-24.07%	Change in community/ consumer behaviour
Interest earned investments	(16 271 896)	(10 012 039)	(6 259 857)	62.52%	Improved cash and investment management processes
Interest earned outstanding debtors	(460 904)	(1 760 000)	1 299 096	-73.81%	Improved debt collection processes and the impact of in dulplum rule
Other income	(25 921 883)	(26 988 853)	1 066 970	-3.95%	n/a
Gain on disposal of property, plant and equipment	(165 042)	(117 411)	(47 631)	40.57%	Assets disposed off in excess of those anticipated
Retirement and long services benefits	-	-	-	0.00%	n/a
Revaluation of investment properties	(1 120 000)	-	(1 120 000)	100.00%	Practically impossible to budget for this
Total Revenue	(692 495 150)	(791 762 402)	99 267 252	-12.54%	
EXPENDITURE					
Executive and Council	40 473 655	36 382 583	4 091 072	11.24%	Impact of latest actuarial valuation reports on post retirement medical aid benefits
Finance and Administration	66 672 543	68 545 061	(1 872 518)	-2.73%	n/a
Planning and Development	26 225 312	31 029 224	(4 803 912)	-15.48%	Savings on employee related costs and other general expences.
Health	10 002 200	11 858 718	(1 856 518)	-15.66%	Savings on employee related costs, repairs and maintenance and general expenses.
Community and Social Services	12 773 396	14 679 219	(1 905 823)	-12.98%	Savings on employee related costs, repairs and maintenance and general expenses.
Housing	4 854 859	6 544 566	(1 689 707)	-25.82%	Savings on Salaries & allowances and general expences.
Public Safety	45 899 213	50 431 642	(4 532 429)	-8.99%	Saving on employee ralated costs, repairs and maintenance, interest on external loans and other general expences
Sports and Recreation	47 350 237	51 661 521	(4 311 284)	-8.35%	Savings on employee related costs, shark control expenditure, life guarding services and other general expenditure.
Waste Management	43 488 851	45 928 486	(2 439 635)	-5.31%	n/a
Road Transport	41 009 709	42 187 601	(1 177 892)	-2.79%	n/a
Electricity	336 574 990	365 167 797	(28 592 807)	-7.83%	Savings on employee related costs, repairs and maintenance, bulk purchases and insurance provision.
Inter- departmental charges	(33 509 494)	(33 516 512)	7 018	-0.02%	n/a
Total Expenditure	641 815 471	690 899 906	(49 084 435)	-7.10%	
SURPLUS FOR THE YEAR	(50 679 679)	(100 862 496)	50 182 817	-49.75%	

KWADAKUZA MUNICIPALITY

APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2010	2010	2010	2010	2010	2010
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %
EXECUTIVE AND COUNCIL	1 736	-	1 736	126 000	124 264	99%
FINANCE & ADMIN	2 998 227	108 572	3 106 799	7 353 143	4 246 344	58%
PLANNING & DEVELOPMENT	621 644	1 238 502	1 860 146	4 337 000	2 476 854	57%
HEALTH	559 109	-	559 109	420 000	(139 109)	-33%
COMMUNITY & SOCIAL SERVICES	10 754 081	4 385 362	15 139 443	16 753 798	1 614 355	10%
HOUSING	64 953	-	64 953	31 736 073	31 671 121	100%
PUBLIC SAFETY	3 300 084	4 417 717	7 717 801	10 088 644	2 370 843	24%
ROADS & STORM WATER DRAINAGE	15 634 862	16 223 462	31 858 324	42 968 096	11 109 772	26%
ELECTRICITY	33 786 266	-	33 786 266	18 360 400	(15 425 866)	-84%
	67 720 961	26 373 614	94 094 576	132 143 154	38 048 578	29%

Total additions excludes assets fair valued as this was not budgeted for.

Explanation of Significant Variances Greater than 5% versus Budget

Tender processes are underway and projects are to be completed in the new year as part of the 2010/2011 budget.

Tender processes are underway and projects are to be completed in the new year as part of the 2010/2011 budget.

Tender processes are underway and projects are to be completed in the new year as part of the 2010/2011 budget.

Represents assets that have been paid for by the Health Department.

Certain sports, waste management and other projects that were budgeted for, would be undertaken in the 10/11 financial year.

This represents Housing grants that did not materialise. The municipality could not proceed with these projects in the absence of these grants.

Due to economic conditions, the fleet replacement programme was suspended for the year. Certain projects did not get off the ground.

Assets have been donated to the municipality that have been included in the additions

Assets have been donated to the municipality that have been included in the additions

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2009/2010 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2010/2011 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
			July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
			1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	21 224 842	-	29 714 874	-	50 939 716	50 939 716	-	-	-	50 939 716	-	NO	N/A	YES	N/A
MIG	DPLG	2 690 260	9 082 000	13 611 000	-	-	22 693 000	2 887 001	2 670 970	824 584	5 576 720	11 959 275	13 423 985	NO	N/A	YES	N/A
Coastal Care Grant	KZN Wildlife			-			-					-		NO	N/A	YES	N/A
Provincial Health Subsidies	Provincial Health	-1 699 376	4 329 000	-	-		4 329 000	4 600 930	-	-	-	4 600 930	-1 971 306	NO	N/A	YES	N/A
DME	Dept Minerals & Energy	3 645 283	-	-		-	-	3 645 283	-	-	-	3 645 283	-	NO	N/A	YES	N/A
FMG	National Treasury	682 612	1 200 000		-	-	1 200 000	128 774	332 183	231 913	757 654	1 450 524	432 088	NO	N/A	YES	N/A
LUMS	LGTA	152 000	-	-	-	-	-	-	45 000	-	-	45 000	107 000	NO	N/A	YES	N/A
Admin Capacity	LGTA	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
New Library	Provincial Libraries	29 780	-		96 000	-	96 000	23 699	25 990	24 196	24 105	97 990	27 790	NO	N/A	YES	N/A
IMG	LGTA	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
Community Development Workers	LGTA	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
MSIG	LGTA	795 803	750 000	-	-	-	750 000	113 376	397 559	45 051	-	555 985	989 817	NO	N/A	YES	N/A
GIJIMA	Dept Economic Development	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
LED GRANT	LGTA	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	68 000	-	-	73 000	-	73 000	-	-	141 000	-	141 000	-	NO	N/A	YES	N/A
DBSA - Capacity Building	Development Bank of South Africa	262 774	-	-	-	-	-	-	-	-	-	-	262 774	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	110 695	-	-	-	-	-	-	-	78 710	-	78 710	31 986	NO	N/A	YES	N/A
DPT SPORT	Department of Sports & recreation		420 000	-	420 000	840 000	1 680 000	-	116 928	1 563 072	-	1 680 000	-	NO	N/A	YES	N/A
CBD REVITALIZATION	DPLG	5 004 233	-	-		-	-	-	302 150	111 963	-	414 113	4 590 120	NO	N/A	YES	N/A
AGRICULTURAL	Provincial Dept. of Agriculture	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
KING SHAKA	Ilembe District Municipality	1 007 174	-	-	-		-	1 007 174	-	-	-	1 007 174	-	NO	N/A	YES	N/A
MAP	DPLG	2 205 358	-	-	-	-	-	-	-	-	-	-	2 205 358	NO	N/A	YES	N/A
Disaster rough seas	LGTA	-2 179 823	747 494	-	-		747 494	-	-	-	1 552 901	1 552 901	-2 985 230	NO	N/A	YES	N/A
RDP HOUSING	Department Of Housing	-2 066 644	-			2 036 719	2 036 719	-	-	-	10 000	10 000	-39 925	NO	N/A	YES	N/A
Ramasar Relief Fund	Ramsar Relief	30 943	-	-	-	-	-	-	30 943	-	-	30 943	-	NO	N/A	YES	N/A
Disaster relief fund: Storm 28.02.09	Disaster relief fund: Storm 28.02.09	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
DPT.: AGRICULTURE	DPT.: AGRICULTURE	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
HEALTH: SAPPI	HEALTH: SAPPI	24 150	-	-	-	-	-	-	-	-	-	-	24 150	NO	N/A	YES	N/A
KwaDukuza Library: HeadCount System	Provincial Libraries	-	-	-	-	-	-	-	-	-	-	-		NO	N/A	YES	N/A
iLembe Shared Services	Ilembe District Municipality	643 500	-	-	-	471 900	471 900	228 207	-	-	-	228 207	887 193	NO	N/A	YES	N/A
Neighbourhood Development Partnership	National Treasury	-			5 582 603		5 582 603				797 351	797 351	4 785 252	NO	N/A	YES	N/A
Training - Belgium	Private	-		100 000			100 000				45 000	45 000	55 000	NO	N/A	YES	N/A
		11 406 722	37 753 336	13 711 000	35 886 477	3 348 619	90 699 432	63 574 160	3 921 723	3 020 489	8 763 732	79 280 104	22 826 051				
Reflected as other debtors - Note 17		5 945 843						Reflected as other debtors - claims submitted awaiting settlement - Note 17					4 996 461				
Unspent grants at 30 June 2010 - Note 8		17 352 565						Unspent grants at 30 June 2011 - Note 8					27 822 512				